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The Dilution Doctrine: Towards A Reconciliation with the Lanham Act

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Cover Page Footnote

I would like to thank George Hovanec and William Mathis, law professors and noted trademark practitioners, for introducing me to the wonders of trademark law and for encouraging me to publish this Article.

The Dilution Doctrine: Towards A Reconciliation with the Lanham Act

Elliot B. Staffin*

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INTRODUCTION

It is a truism of U.S. federal trademark law that there can be no trademark rights in gross. Unlike a patent or copyright owner, under current federal law, a trademark holder cannot control all uses of its mark.¹ The Lanham Act² only protects a trademark holder against unauthorized, subsequent use of the same or similar mark that is likely to result in public confusion concerning: the source of the goods or services in question, or the sponsorship, affiliation or approval by the senior mark holder of such junior use.³ By making likelihood of confusion the "touchstone" of a federal trademark infringement action, Congress sought to further the Lanham Act's primary purpose, which is to protect the public from deceptive and misleading trademark practices, without fostering unnecessary monopolization of language that would impede free competition.⁴

The Lanham Act also has an often overlooked second purpose: namely, to protect the trademark owner's investment of "energy, time and money in presenting to the public the product" from the misappropriation of its trademark "by pirates and cheats."⁵ Justice

1. See, e.g., J. THOMAS MCCARTHY, *MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION* § 24.03(4)(d) (3d ed. 1995). Furthermore, unlike a patent or copyright holder, a trademark owner's property right in its trademark is defined and governed by its use of the mark in commerce. It cannot sell the trademark to another party separate from the business goodwill, which the mark represents. See *Bi-Rite Enters., Inc. v. Button Master*, 555 F. Supp. 1188, 1193-94 (S.D.N.Y. 1983).

2. The Lanham Act, which is the more common name for the Trademark Act of 1946, as amended, is codified at 15 U.S.C. §§ 1051-1127 (1994).

3. See *id.* at § 1114 (marks registered with the U.S. Patent and Trademark Office); *id.* at § 1125 (unregistered marks); see also *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912, 917 (9th Cir. 1980). The unauthorized subsequent use of a trademark, whether registered or not, is often referred to as the "junior" use. See, e.g., *Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733, 740 (2d Cir. 1994).

4. See *Int'l Order of Job's Daughters*, 633 F.2d at 918-19; see also *Bi-Rite Enters.*, 555 F. Supp. at 1194-95. The Lanham Act's primary purpose is manifest in § 45, under the heading "Intent of Act," which provides in pertinent part that the "intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading uses of marks in such commerce . . ." 15 U.S.C. § 1127.

5. This secondary purpose is set forth in the Statement of the United States Trademark Association ("USTA"), which it submitted in support of S. 1883, the Senate version of the 1988 Trademark Law Revision Act:

Felix Frankfurter best articulated this purpose in a trademark infringement action brought under the precursor to the Lanham Act:

The protection of trade-marks [sic] is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same—to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress . . . ⁶

Trademark “dilution” is the legal theory that seeks to protect a trademark owner directly against the diminution of a trademark’s “commercial magnetism” or selling power by unauthorized junior use of the same or substantially similar mark.⁷ Approximately half of the states have enacted statutes that seek to protect against trademark dilution; and at least one state has adopted the dilution theory

The purpose underlying any trade-mark statute is two-fold. One is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats. This is a well-established rule of law protecting both the public and the trade-mark owner.

Statement of the United States Trademark Assoc. In Support of S. 1883 (DeConcini) The Trademark Law Revision Act, reprinted in 78 TRADEMARK REP. 382, 384-85 (1988) [hereinafter USTA Statement] (quoting H.R. REP. No. 219, 79th Cong., 1st. Sess. 2-3 (1945)).

6. *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942).

7. See, e.g., Beverly W. Pattishall, *Dawning Acceptance of the Dilution Rationale for Trademark-Trade Identity Protection*, 74 TRADEMARK REP. 289, 290 (1985).

as part of its common law.⁸ Under all relevant state law, the two essential elements of a trademark dilution claim are the same: the senior holder must possess a distinctive trademark, and there must be a likelihood of dilution.⁹ Although important differences exist among the states concerning the proper scope of dilution law, most states that have adopted the dilution doctrine are currently in agreement on two crucial points: trademark dilution can occur regardless of the lack of a likelihood of confusion and despite the absence of competition between the parties.¹⁰

In the last decade or so, the role of dilution theory in U.S. trademark law has dramatically increased in importance. Although dilution theory is a creature of state law, in recent years the federal

8. The three major trademark jurisdictions, New York, Illinois, and California, have each passed a dilution statute. These statutes are codified, respectively, at N.Y. GEN. BUS. LAW § 368-d (McKinney 1984); ILL. ANN. STAT. ch. 765, ¶ 1035/15 (1995); and CAL. BUS. & PROF. CODE § 14330 (West 1987). The other states that have enacted dilution statutes are: Alabama, at ALA. CODE § 8-12-17 (1993); Arkansas, at ARK. CODE ANN. § 4-71-113 (Michie 1993); Connecticut, at CONN. GEN. STAT. § 35-11i(c) (1993); Delaware, at DEL. CODE ANN. tit. 6, § 3313 (1993); Florida, at FLA. STAT. ch. 495.151 (1995); Georgia, at GA. CODE ANN. § 10-1-451(b) (1994); Idaho, at IDAHO CODE § 48-512 (1977); Iowa, at IOWA CODE § 548.113 (1995); Louisiana, at LA. REV. STAT. ANN. § 223.1 (West 1995); Maine, at ME. REV. STAT. ANN. tit. 10, § 1530 (West 1994); Massachusetts, at MASS. GEN. LAWS ANN. ch. 110B, § 12 (West 1995); Missouri, at MO. REV. STAT. § 417.061(1) (1995); Montana, at MONT. CODE ANN. § 30-13-334 (1994); Nebraska, at NEB. REV. STAT. § 87-122 (1994); New Hampshire, at N.H. REV. STAT. ANN. § 350-A:12 (1994); New Mexico, at N.M. STAT. ANN. § 57-3-10 (Michie 1995); Oregon, at OR. REV. STAT. § 647.107 (1994); Pennsylvania, at PA. STAT. ANN. tit. 54, § 1124 (1995); Rhode Island, at R.I. GEN. LAWS § 6-2-12 (1992); Tennessee, at TENN. CODE ANN. § 47-25-512 (1995); Texas, at TEX. BUS. & COM. CODE ANN. § 16.29 (West 1995); and Washington, at WASH. REV. CODE § 19.77.160 (1995). See also McCarthy, *supra* note 1, § 24.14(2). Ohio has adopted the dilution doctrine as part of its common law. See *Ameritech, Inc. v. American Info. Technologies Corp.*, 811 F.2d 960, 965 (6th Cir. 1987).

9. See, e.g., *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1030 (2d Cir. 1989); *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.*, 6 U.S.P.Q.2d (BNA) 1300 (N.D. Ill. 1987), *aff'd in part*, 855 F.2d 480, 482 (7th Cir. 1988); *Academy of Motion Picture Arts and Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446, 1457 (9th Cir. 1991).

10. See, e.g., *Mead Data Cent.*, 875 F.2d at 1030; *Ringling Bros.*, 855 F.2d at 484-85; *Grey v. Campbell Soup Co.*, 650 F. Supp. 1166, 1175 (C.D. Cal. 1986), *aff'd*, 830 F.2d 197 (9th Cir. 1987).

courts have taken the lead in defining the doctrine's parameters.¹¹ Several federal courts have decided the outcome of a trademark case based on a state dilution claim which had been attached to a federal trademark infringement action under the pendent jurisdiction doctrine.¹² In finding that dilution occurred despite the absence of federal trademark infringement, these federal courts have indirectly expanded the scope of trademark protection available under U.S. law.¹³

The increasing importance of dilution law to U.S. trademark practice is evidenced by the fact that in 1988, the U.S. Senate passed a federal trademark bill that, in part, sought to amend the Lanham Act to include a limited dilution provision.¹⁴ The U.S. Trademark Association ("USTA") had been the chief sponsor of this provision.¹⁵ Congress eventually deleted this provision from the Trademark Law Revision Act of 1988 prior to its becoming law.¹⁶ However, the USTA (now the International Trademark Association or "INTA") continued to strongly support a federal dilution statute in the ensuing years.¹⁷

In March, 1995, Rep. Carlos Moorhead (R-Calif.) introduced

11. See, e.g., *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 44-45 (2d Cir. 1994) (broadly construing New York's dilution statute to protect against more than the traditional, judicially recognized categories of dilution by "blurring" or "tarnishment"); see also *infra* part III (discussing categories of dilution law, and *Deere's* arguable expansion of the dilution cause of action in New York).

12. See, e.g., *American Express Co. v. Vibra Approved Labs. Corp.*, 10 U.S.P.Q.2d (BNA) 2006, 2012-14 (S.D.N.Y. 1989); *Ringling Bros.*, 855 F.2d at 482-84; *McDonald's Corp. v. Arche Technologies*, 17 U.S.P.Q.2d (BNA) 1557, 1559-60 (N.D. Cal. 1990); see also discussion *infra* part III.

13. See, e.g., *Deere & Co.*, 41 F.3d at 44.

14. See The Trademark Law Revision Act, 15 U.S.C. § 1118 (1988).

15. See *USTA Statement*, *supra* note 5, at 404-07. The USTA has since changed its name to the International Trademark Association ("INTA"). This Article refers to the 1988 federal dilution bill as the USTA-proposed statute.

16. See Jerome Gilson, *A Federal Dilution Statute: Is It Time?*, 83 TRADEMARK REP. 108, 115 (1993).

17. See, e.g., 141 Cong. Rec. H14317 (December 12, 1995) (statement of Rep. Moorhead); 141 Cong. Rec. S19310 (December 12, 1995) (statement of Sen. Hatch). In addition to its federal lobbying efforts the USTA revised the Model State Trademark Bill in 1992 to include its previously proposed federal dilution provision. See Gilson, *supra* note 16, at 116.

the Federal Trademark Dilution Act of 1995 ("FTDA") before the U.S. House of Representatives.¹⁸ With one major, notable change, the FTDA is largely modeled on the 1988 proposed federal dilution statute.¹⁹ In December, 1995, Congress passed the FTDA, which President Clinton signed into law on January 16, 1996.²⁰

Thus, it has become imperative to assess the proper role that dilution law should play in U.S. trademark law. In essence, dilution law attempts to provide a trademark owner with direct protection against the misappropriation of its mark's selling power.²¹ Because this attempt is fully congruent with the Lanham Act's secondary purpose, it should not automatically be concluded that dilution law conflicts with the goals of traditional federal trademark law.²² However, because of the central, "misappropriation protec-

18. See 141 Cong. Rec. H3572 (March 22, 1995) (statement of Rep. Moorhead).

19. See 49 PAT., TRADEMARK & COPYRIGHT J. (BNA) 646 (1995). The major notable difference between the FTDA and the federal dilution provision proposed in 1988 is that the FTDA attempts to more adequately address First Amendment concerns voiced by the broadcasting industry and other groups that had opposed the earlier federal dilution proposal. See, e.g., 141 Cong. Rec. S19310 (December 29, 1995) (supporting statement of Sen. Hatch); 141 Cong. Rec. S19312 (December 29, 1995) (supporting statement of Sen. Leahy); see also *infra* parts III, IV.D.

20. Pub. L. No. 104-98, 109 Stat. 985 (January 16, 1996), available in WESTLAW, U.S. Bill Tracking 1995 US H.B. 1295; LEXIS 1995 Bill Tracking H.R. 1295.

21. See *Deere & Co.*, 41 F.3d at 44 (quoting with approval *Shadow Box, Inc. v. Drecq*, 336 N.Y.S.2d 801, 802 (N.Y. Sup. Ct. 1972) for the proposition that New York's dilution statute potentially "protects . . . against any use of the symbol that may drain off any of the potency of the mark").

22. This Article does not suggest that the Lanham Act incorporates the state law doctrine of misappropriation. This doctrine "is based on the law's reluctance to permit unjust enrichment or to permit a person to 'reap where one has not sown.'" *Universal City Studios, Inc. v. Montgomery Ward & Co.*, 207 U.S.P.Q. (BNA) 852, 858 (N.D. Ill. 1980) (quoting *International News Servs. v. Associated Press*, 248 U.S. 215 (1918)). Unlike traditional federal trademark law, the state law doctrine of misappropriation does not require proof of likelihood of confusion. Because of the easier evidentiary proof allowed under the state misappropriation doctrine, some courts have been reluctant to allow a separate misappropriation claim when a plaintiff cannot prevail on its trademark infringement claim for fear of "wip[ing] out the law of trademarks." *Sykes Lab., Inc. v. Kalvin*, 610 F. Supp. 849, 855-56 (C.D. Cal. 1985) (quoting J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 10:34, at 430 (2d ed. 1984)). Other courts have allowed a separate state misappropriation claim to stand when appended to a federal trademark infringement action on the rationale that "one may not use the mark of another to obtain a 'free ride' on his efforts to promote that mark." *Universal City Studios*, 207 U.S.P.Q.2d

tion" goal of dilution law, there is a danger that federal adoption of an overly broad dilution doctrine could elevate the Lanham Act's secondary purpose to its primary one, thereby "swallow[ing] up all competition in the claim of protection" against trademark infringement.²³ Since dilution law protects a senior holder against unauthorized, non-confusing, junior uses of an identical or substantially similar mark despite the absence of competition between the parties, there is the danger that an overly broad dilution doctrine could result in serious anti-competitive effects and First Amendment violations.²⁴

The purpose of this Article is to provide an assessment of the proper role that dilution law should play in the U.S. trademark practice. Part I discusses the origins of U.S. dilution law. Part II provides an overview of the dilution doctrine as it has developed in the case law, with emphasis given to the law of the Second, Seventh and Ninth Circuits. This overview includes a discussion of the major doctrinal similarities and differences in these circuits. Part III addresses the recent Congressional efforts to amend the Lanham Act to include a federal dilution provision. Part IV includes an evaluation of First Amendment and other concerns raised by the dilution theory as well as a discussion of whether Congress acted prudently when adopting a federal dilution amendment.

at 858.

This Article does suggest that, as revealed by the Lanham Act's legislative history, the secondary purpose of federal trademark law is to perform a "misappropriation prevention" function. This secondary purpose has allowed some courts to expand the scope of Lanham Act protection even in the absence of explicit proof of a likelihood of confusion. *See, e.g.,* Warner Bros. v. Gay Toys, Inc., 658 F.2d 76, 79-80 (2d Cir. 1981). Similarly, one can view the dilution doctrine as dovetailing with this secondary purpose. However, the danger of an overly broad dilution doctrine is that it could overwhelm and negate the primary purpose of the Lanham Act, which is to protect against confusing uses of a trademark. The challenge is to affix the proper scope of the dilution doctrine so as to strike a balance between the Act's primary and secondary purposes.

23. *Toho Co. v. Sears, Roebuck & Co.*, 645 F.2d 788, 793 (9th Cir. 1981) (quoting *Carter-Wallace, Inc. v. Procter & Gamble Co.*, 434 F.2d 794, 803 n.3 (9th Cir. 1970)).

24. For an excellent discussion of some of the First Amendment concerns posed by an overly broad dilution doctrine, see Arlen W. Langvardt, *Trademark Rights and First Amendment Wrongs: Protecting the Former Without Committing the Latter*, 83 TRADE-MARK REP. 633, 653-57 (1993).

This Article concludes that, although concerns posed by the dilution doctrine are very real, they are not insurmountable. The challenge is to restrict the scope of the dilution doctrine, striking a balance between the primary and secondary purposes of the Lanham Act. Consequently, adoption of a limited federal dilution provision, with appropriate safeguards to meet First Amendment concerns,²⁵ is preferable to the alternative of allowing the state dilution doctrine to expand on an unfettered course.

I. ORIGINS OF U.S. DILUTION LAW

Most commentators trace the origins of U.S. dilution law to a law review article written in 1927 by Frank Schechter.²⁶ In the article, Schechter lamented the fact that, at the time the article was written, there was no trademark protection in this country against unauthorized use of a holder's mark on non-competitive goods.²⁷ Under the then governing 1905 Trademark Act, trademark infringement could occur only when the alleged infringer's use was on goods of the "same descriptive properties" as the senior holder's goods.²⁸ Schechter viewed the narrow scope of the available federal trademark protection as wholly inadequate to safeguard the real value of a trademark, namely, its selling power.²⁹ Although the source-identifying function of a trademark is necessarily part of its selling power, Schechter argued that a trademark's primary value lay in its "uniqueness or singularity," enabling the mark to function as a distinctive symbol of a certain level of quality and reliability.³⁰

According to Schechter, the selling value of a mark constituted an essential property right, capable of being injured by the mark's unauthorized use on non-competing goods, regardless of whether

25. See *infra* part IV.

26. Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927); see also Gilson, *supra* note 16, at 109; Milton W. Handler, *Are the State Antidilution Laws Compatible with the National Protection of Trademarks?*, 75 TRADEMARK REP. 269, 270 (1985).

27. Schechter, *supra* note 26, at 824-26.

28. Trademark Act of 1905 § 5(b).

29. Schechter, *supra* note 26, at 819, 824-25.

30. *Id.* at 831.

such use would likely result in public confusion regarding the source of the non-competing goods.³¹ He thought it was unfair that, under the prevailing U.S. trademark doctrine, most courts would allow a junior user to adopt, for example, the mark "Kodak" for bicycles merely because bicycles possessed descriptive properties different than film products.³² Schechter further believed that a stronger mark required greater protection against its unauthorized use on non-competing goods. In language that would be often quoted by U.S. courts, Schechter explained:

The real injury in all such cases can only be gauged in the light of what has been said concerning the function of a trademark. It is the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods. The more distinctive or unique the mark, the deeper is its impress upon the public consciousness, and the greater its need for its protection against vitiation or dissociation from the particular product in connection with which it has been used.³³

Thus, at least for already famous, "coined or unique" marks, Schechter proposed expanding the scope of federal trademark protection to prohibit their unauthorized use on non-competing products.³⁴ Although he did not mention the term "dilution" in his article, one of the non-American cases he cited in support of such expansion used the word "diluted" when describing the injury that likely would result from the unauthorized use of a well-established mark on a non-competing good.³⁵ Schechter's dilution theory did

31. *Id.* at 825.

32. *Id.* at 825-26. In 1898, a British court had granted the U.S. film manufacturer, Kodak, protection against the unauthorized use of its mark on bicycles manufactured by a British company. *Eastman Kodak v. Kodak Cycle Co.*, 15 RPC 105 (1898). The British court had perfunctorily determined that there was a likelihood of confusion regarding source despite the paucity of evidence on this point. *Id.*; see also Pattishall, *supra* note 7, at 289 n.4. Schechter approved of the decision but sought firmer ground to shore up the result for adoption in this country. Schechter, *supra* note 26, at 825.

33. Schechter, *supra* note 26, at 825.

34. *Id.* at 832.

35. *Id.* at 831-32 (citing the "German Odol" case, *Landgericht Elberfeld*, 25 *Juristische Wochenschrift* 502 (1924), which prevented a well-known German manufactur-

not receive formal attention for several decades. However, one year after Schechter published his law review article, when ruling in a federal trademark infringement action, Judge Learned Hand echoed Schechter's concerns:

The law of unfair trade comes down very nearly to this—as judges have repeated again and again—that one merchant shall not divert customers from another by representing what he sells as emanating from the second. This has been, and perhaps even more now is, the whole Law and the Prophets on the subject, though it assumes many guises. Therefore it was at first a debatable point whether a merchant's good will, indicated by his mark, could extend beyond such goods as he sold. How could he lose bargains which he had no means to fill? What harm did it do a chewing gum maker to have an ironmonger use his trademark? The law often ignores the nicer sensibilities.

However, it has of recent years been recognized that a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask. And so it has come to be recognized that, unless the borrower's use is so foreign to the owner's as to insure against any identification of the two, it is unlawful.³⁶

*Yale Electric Corporation v. Robertson*³⁷ addressed the question of whether a locksmith manufacturer could prevent the use of its federally registered mark ("Yale") by an unrelated manufacturer of

er's mark for mouthwash from being used on various steel products).

36. *Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 973-74 (2d Cir. 1928).

37. 26 F.2d 972 (2d Cir. 1928).

electric flashlight torches and batteries.³⁸ In deciding in the affirmative, Judge Hand presaged the elimination of the "same descriptive properties" rule in the 1946 Lanham Act. In addition, his decision seminally influenced the development of the "related goods" doctrine, which expanded the scope of federal trademark protection to encompass protection against unauthorized, confusing uses of a holder's mark on non-competitive goods.³⁹ The Second Circuit was the first to codify the "related goods" doctrine in its famous *Polaroid* decision in 1961, which set forth an eight factor test for determining when the unauthorized junior use of a mark on non-competitive goods resulted in a likelihood of confusion.⁴⁰ Over the next couple of decades, the other circuits would adopt similar tests.⁴¹

Concurrent with the development of the "related goods" doctrine, and largely for the same reason, the dilution doctrine took root in the states. In 1947, Massachusetts became the first state to adopt a dilution statute.⁴² Illinois and New York quickly fol-

38. *Id.* at 973-74.

39. For an excellent discussion summarizing the history of the "related goods" doctrine, see MCCARTHY, *supra* note 1, § 24.01-.03.

40. These factors include: the strength of the senior holder's mark; the degree of similarity between the two marks; the proximity of the products; the likelihood that the prior owner will bridge the gap; the existence of actual confusion; the defendant's lack of good faith in adopting the same or similar mark; the quality of the defendant's product; and the purchasers' sophistication. See *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961).

41. See, e.g., *Boston Athletic Ass'n v. Sullivan*, 867 F.2d 22 (1st Cir. 1989); *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522 (4th Cir. 1984); *Conagra, Inc. v. Singleton*, 743 F.2d 1508 (11th Cir. 1984); *Beer Nuts, Inc. v. Clover Club Foods Co.*, 711 F.2d 934 (10th Cir. 1983); *Frisch's Restaurants, Inc. v. Elby's Big Boy, Inc.*, 670 F.2d 642 (6th Cir. 1982); *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086 (8th Cir. 1980); *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979); *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225 (3d Cir. 1978); *Helene Curtis Indus. v. Church & Dwight Co.*, 560 F.2d 1325 (7th Cir. 1977); *Roto-Rooter Corp. v. O'Neal*, 513 F.2d 44 (5th Cir. 1975); see also MCCARTHY, *supra* note 1, § 24.06(4)(a) (summarizing the development of the "related goods" doctrine).

42. MASS. GEN. LAWS ANN. ch. 110B, § 12 (West 1995); see also Gilson, *supra* note 16, at 109. Although most states call their statutes "anti-dilution" measures, Gilson suggests dropping the "anti" since trademark infringement statutes are not referred to as "anti-infringement" measures. See *id.* I have adopted his suggestion throughout this Article.

lowed suit.⁴³ The purpose underlying these state dilution statutes is the same: to prevent, in Schechter's words, "the whittling away of an established trade-mark's selling power and value through its unauthorized use by others upon dissimilar products."⁴⁴ In 1964, the USTA adopted a dilution provision as part of its Model State Trademark Bill, which stated:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a mark valid at common law, or a trade name valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.⁴⁵

Over the next few decades, most of the states that adopted dilution statutes modeled their statutes on the USTA provision.⁴⁶ Without much legislative history to guide them, it was left to the courts to interpret and develop the dilution doctrine.

43. The original Illinois statute became effective on January 1, 1956 (currently codified at ILL. ANN. STAT. ch. 765 § 1035/15 (1993)). The original New York statute became effective on September 1, 1961 (currently codified at N.Y. GEN. BUS. LAW § 368-d (McKinney 1984)).

44. 1954 N.Y. LEGIS. ANN. 49, quoted in *Mead Data Cent.*, 875 F.2d at 1028; see also *Ringling Bros.*, 855 F.2d at 482.

45. Model State Trademark Act, § 12, reprinted in MCCARTHY, *supra* note 1, § 24.14(2); see also Gilson, *supra* note 16, at 109-10.

46. See ALA. CODE § 8-12-17 (1993); ARK. STAT. § 4-71-113 (1993); CAL. BUS. & PROF. CODE § 14330 (West 1987); CONN. GEN. STAT. § 35-111(c) (1993); DEL. CODE ANN. tit. 6, § 3313 (1993); FLA. STAT. § 495.151 (1995); GA. CODE ANN. § 10-1-451(b) (1994); IDAHO CODE § 48-512 (1977); ILL. ANN. STAT. ch. 765, § 1035/15 (1995); IOWA CODE § 548.113 (1995); LA. REV. STAT. ANN. § 223.1 (West 1995); ME. REV. STAT. ANN. tit. 10, § 1530 (West 1994); MASS. GEN. LAWS ANN. ch. 110B, § 12 (West 1995); MO. REV. STAT. § 417.061(1) (1995); MONT. CODE ANN. § 30-13-334 (1994); NEB. REV. STAT. § 87-122 (1994); N.H. REV. STAT. ANN. § 350-A:12 (1994); N.M. STAT. ANN. § 57-3-10 (Michie 1995); N.Y. GEN. BUS. § 368-d (McKinney 1984); OR. REV. STAT. § 647.107 (1994); PA. STAT. ANN. tit. 54, § 1124 (1995); R.I. GEN. LAWS § 6-2-12 (1992); and TENN. CODE ANN. § 47-25-512 (1995); TEX. BUS. & COM. CODE ANN. § 16.29 (West 1995); WASH. REV. CODE § 19.77.165 (1995); see also MCCARTHY, *supra* note 1, § 24.14(2).

II. THE DILUTION CASE LAW

As developed by the courts, the dilution doctrine embraces several distinct theories of harm to a trademark. The two primary theories are "dilution by blurring" and "dilution by tarnishment."⁴⁷ These dilution theories were the first to be propounded by the courts,⁴⁸ and most dilution cases have asserted at least one of these theories.⁴⁹ A third, less well known theory is "dilution by genericization."⁵⁰ A fourth, arguably distinct dilution theory was just recently articulated by the Second Circuit in *Deere & Co. v. MTD Products, Inc.*⁵¹ Although this theory remains unnamed, it might aptly be termed "dilution by humorous alteration of a competitor's mark."⁵² An examination of each of these theories is necessary for a full understanding and assessment of the dilution doctrine.

A. Dilution By Blurring

"Dilution by blurring" has been described as the "classic" or "traditional" strand of the dilution doctrine.⁵³ As one commentator, and strong proponent of the dilution theory, has explained:

[t]he gravamen of a dilution complaint is that the continuous use of a mark similar to plaintiff's works an inexorably adverse effect upon the distinctiveness of the plaintiff's mark, and that, if he is powerless to prevent such use, his mark will lose its distinctiveness entirely. This injury differs materially from that arising out of the orthodox confu-

47. See *Mead Data Cent.*, 875 F.2d at 1031 (defining dilution "as either the blurring of a mark's product identification or the tarnishment of the affirmative associations a mark has come to convey").

48. See *Polaroid*, 319 F.2d at 836-837 (recognizing "dilution by blurring" as a valid legal theory); *Tiffany & Co. v. The Boston Club, Inc.*, 231 F. Supp. 836, 843-44 (D. Mass. 1964) (positing "dilution by tarnishment" as a grounds for recovery distinct from, and in addition to, "dilution by blurring").

49. See, e.g., *Tiffany & Co.*, 231 F. Supp. at 844; see also MCCARTHY, *supra* note 1, § 24.13(1)(a).

50. See, e.g., *Sykes Lab., Inc. v. Calvin*, 610 F. Supp. 849, 857 (C.D. Cal. 1985) (holding that a plaintiff may maintain a dilution action under California law on the theory that the defendant's identification of its product as a version of the plaintiff's product may render the plaintiff's mark a generic term).

51. 41 F.3d 39, 44-45 (2d Cir. 1994).

52. *Id.* at 45.

53. MCCARTHY, *supra* note 1, § 24.13(1)(a)(i); see also *Deere & Co.*, 41 F.3d at 42-43 (recognizing "dilution by blurring" as one of the traditional forms of dilution).

sion. Such confusion leads to immediate injury, while dilution is an infection which, if allowed to spread, will inevitably destroy the advertising value of the mark.⁵⁴

Another advocate of the dilution doctrine has defined the injury caused by blurring as distinct from confusion since it "occurs when an awareness that a particular mark signifies 'a single thing coming from a single source' becomes instead an unmistakable, correct awareness that the mark signifies various things from various sources."⁵⁵ Still yet another commentator, who favors a limited dilution doctrine, has explained that a use that is confusing to some purchasers can also be non-confusing but diluting to others.⁵⁶ Even for the non-confused purchaser, seeing an identical or substantially similar mark on a non-competitive good triggers a mental association of the senior holder's mark. If the purchaser knows that due to the high degree of differences between the goods, it is unlikely that the senior mark holder produced or sponsored the goods in question, then confusion will not result. However, if such junior uses of similar marks on unrelated goods multiply, then blurring of the mark will eventually result, since seeing the mark will no longer remind the purchaser of the unique associations that the senior mark holder has laboriously sought to create.⁵⁷

This first dilution theory captures the concern enunciated by Schechter that "if you allow Rolls Royce restaurants, and Rolls Royce cafeterias, and Rolls Royce pants, and Rolls Royce candy, in ten years you will not have the Rolls Royce mark any more."⁵⁸

54. RUDOLF CALLMAN, *THE LAW OF UNFAIR COMPETITION AND TRADEMARKS* § 21.11, at 66-67 (4th ed. 1994) (footnote omitted).

55. Pattishall, *supra* note 7, at 300 (footnote omitted). Pattishall's major contribution to the development of the dilution doctrine is her characterization of dilution as a tort sounding in trespass, rather than deceit, as is the case with federal and state trademark infringement law. *See id.* at 309. Pattishall also popularized the notion of dilution theory protecting against the diminution of a mark's "commercial magnetism," a phrase which she borrowed from Justice Frankfurter's *Mishawaka* decision. *See id.* at 290 n.10 (*Mishawaka Rubber & Wollen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942)).

56. *See* MCCARTHY, *supra* note 1, § 24.13(1)(b).

57. *Id.*

58. *Hearings Before the House Comm. on Patents*, 72d Cong., 1st Sess. 15 (1932) (statement of Frank Schechter), *quoted in* David S. Welkowitz, *Reexamining Trademark Dilution*, 44 VAND. L. REV. 531, 539 (1991).

In today's age of consumer electronics, one could update Schechter's example and ponder the effect that the unauthorized use of the name Sony would have on the original mark holder if there were allowed to exist Sony deodorant, Sony drain clog remover, Sony candy bars, or Sony soda. Even if the purchaser knew that the electronics manufacturer had neither produced nor sponsored the goods in question, in time it is likely that such repetitive use for diverse, unrelated products would have a diluting effect on the Sony mark. With such widespread, divergent use, one would no longer think exclusively or primarily of the state of the art, high technology, associations of excellence, and superior craftsmanship currently reflected in its name.

The Seventh Circuit was one of the first to address the "dilution by blurring" theory. In *Polaroid Corporation v. Polaroid, Inc.*,⁵⁹ the photographic equipment manufacturer sought to prevent the use of the mark "Polaroid" on refrigeration and heating systems.⁶⁰ Although Polaroid's first claim was for federal trademark infringement, the court refused to decide that issue because it believed that Polaroid had stated a better case under either its second claim for state misappropriation of its mark, or under its third claim for state dilution.⁶¹ In deciding the misappropriation claim for the plaintiff, the court relied on Judge Hand's decision in the *Yale* lock case.⁶² The court found that the defendant had known of the Polaroid name when it adopted its substantially similar mark and dismissed the defendant's argument that its mark was not an appropriation of the plaintiff's name, but rather a combination of the words "polar" and "aid," which described its services.⁶³ The court admonished the defendant for coming "as near as possible to selecting plaintiff's trademark" despite "all the names which were available," without even considering the possibility of confusion.⁶⁴

59. 319 F.2d 830 (7th Cir. 1963).

60. *Id.* at 831-32.

61. *Id.* at 833.

62. *See id.* at 835 (citing *Yale Electric Corp. v. Robertson*, 26 F.2d 972 (2d Cir. 1928)).

63. *See id.* at 835-36.

64. *Id.* at 835.

Although much of the court's discussion of the second claim is couched in the language of misappropriation, which does not require a finding of confusion, the court nevertheless concluded that the junior use was likely to produce confusion.⁶⁵ This finding is significant because it illustrates the reluctance of courts, during the fledgling period of the "related goods" and dilution doctrines, to find the misappropriation of a mark without also finding a likelihood of confusion. Nevertheless, the court held that, even in the absence of such a finding, the Illinois dilution statute prevented the unauthorized junior use of the plaintiff's strong mark, "which through much effort and the expenditure of large amounts of money had acquired a widespread reputation and much good will, which plaintiff should not be required to share with defendant."⁶⁶ In language since quoted by other courts, the Seventh Circuit stated that "by its plain, unambiguous language [the Illinois dilution statute] lays a heavy hand upon one who adopts the trade name or mark of another."⁶⁷ The Court further noted that "[i]f the Anti-dilution Statute is not applicable to this situation, it is useless because it adds nothing to the established law on unfair competition

...⁶⁸

Another influential case in the development of the "dilution by blurring" doctrine was *Tiffany & Co. v. the Boston Club, Inc.*⁶⁹ In *Tiffany*, the New York jeweler sought to prevent the use of the name "Tiffany" on a restaurant and bar in downtown Boston.⁷⁰ When the restaurant first opened, it offered as part of a promotion, free tickets to the movie, "Breakfast at Tiffany's," which was then playing.⁷¹ Although the court found that the defendant's use of the famous name was likely to confuse its patrons concerning the sponsorship or affiliation with the New York jeweler,⁷² the case is re-

65. *Id.* at 835-36.

66. *Id.* at 837.

67. *Id.* at 836.

68. *Id.* at 837.

69. 231 F. Supp. 836 (D. Mass. 1964). This case is important for developing not only the "dilution by blurring" doctrine, but also the "dilution by tarnishment" theory.

70. *See id.* at 838, 842-43.

71. *Id.* at 841-42.

72. *See id.* at 842.

markable for its extensive discussion of the dilution claim despite a paucity of precedent in the dilution area. This case is also important because, while Schechter had confined his dilution theory to coined, invented or other unique marks, the court extended dilution protection to any mark "of distinctive quality," including marks that had become valid after obtaining secondary meaning.⁷³ The court found that because the "Tiffany" mark was "very strong" and well known to the public as "a synonym of quality to a very high degree,"⁷⁴ there was a likelihood that the defendant's unauthorized use of the same mark would diminish the "distinctiveness, uniqueness, effectiveness, and prestigious connotations" associated with the senior holder's mark.⁷⁵ As in *Polaroid*, the court cited *Yale* for the proposition that the defendant could not "subject the good will and reputation of the plaintiff's name and trademark to the hazards of the defendant's business."⁷⁶

Despite the clear wording of the Model State dilution statute that states a dilution cause of action could exist "notwithstanding the . . . absence of confusion as to the source of goods or services,"⁷⁷ many courts in the 1960s and 1970s were reluctant to find a valid dilution claim without first finding a likelihood of confusion.⁷⁸ As one court explained, "[w]e have regarded the antidilution doctrine with some concern 'lest it swallow up all competition in the claim of protection against trade name infringement.'"⁷⁹ In fact, courts continue to find a state dilution violation in more cases where there has been a traditional trademark infringement violation predicated upon proof of a likelihood of confusion than in cases without a finding of a likelihood of confu-

73. *Id.* at 843.

74. *Id.* at 842-43.

75. *Id.* at 844.

76. *Id.* at 843 (citing *Yale Elec. Corp.*, 26 F.2d at 974).

77. Model State Trademark Act § 12, reprinted in MCCARTHY, *supra* note 1, § 24.14(2).

78. See, e.g., *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Chandris Am. Lines, Inc.*, 321 F. Supp. 707, 712-13 (S.D.N.Y. 1971); *Girl Scouts of the U.S.A. v. Personality Posters Mfg. Co.*, 304 F. Supp. 1228, 1233-34 (S.D.N.Y. 1969).

79. *Toho Co. v. Sears, Roebuck & Co.*, 645 F.2d 788, 793 (9th Cir. 1981) (quoting *Carter-Wallace, Inc. v. Procter & Gamble Co.*, 434 F.2d 794, 803 n.3 (9th Cir. 1970)).

sion.⁸⁰

However, in *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*,⁸¹ the New York Court of Appeals definitively held that the New York dilution statute meant what it said: a plaintiff could raise a successful dilution claim despite the absence of a likelihood of confusion.⁸² In language that would be quoted often by courts in the Second Circuit, as well as others, the court stated that "[t]he evil which the Legislature sought to remedy was not public confusion caused by similar products or services sold by competitors, but a cancer-like growth of dissimilar products or services which feeds upon the business reputation of an established distinctive trade-mark or name."⁸³ The court then established, without elaboration, that the two primary elements of a dilution cause of action were: (1) a strong mark; and (2) a showing of a likelihood of dilution.⁸⁴ Other New York federal courts would add

80. See, e.g., *Academy of Motion Picture Arts and Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446, 1456-57 (9th Cir. 1991) (precluding use of Academy's "Oscar" design by unrelated corporation for statue given out and sold as awards for corporate excellence on traditional trademark and dilution grounds); *McDonald's Corp. v. McBagel's, Inc.*, 649 F. Supp. 1268, 1279-81 (S.D.N.Y. 1986) (prohibiting use of plaintiff's "Mc" family mark on bagel shop on grounds of both likelihood of confusion and dilution); *Toys "R" Us, Inc. v. Canarsie Kiddie Shop, Inc.*, 559 F. Supp. 1189, 1201, 1206-08 (E.D.N.Y. 1983) (barring use of "Kids r Us" mark for children's clothing store on traditional trademark infringement and dilution grounds); *Dreyfus Fund Inc. v. Royal Bank of Canada*, 525 F. Supp. 1108, 1122-23 (S.D.N.Y. 1981) (preventing use of the plaintiff's "lion," which was well known in the financial services area, by a bank on the grounds of both likelihood of confusion and dilution); *Universal City Studios, Inc. v. Montgomery Ward & Co.*, 207 U.S.P.Q. (BNA) 852, 857-59 (N.D. Ill. 1980) (prohibiting the use of the mark "Jaws" on garbage disposals based on traditional trademark infringement, state misappropriation, and state dilution doctrines); see also *Nikon Inc. v. Ikon Corp.*, 987 F.2d 91, 95-96 (2nd Cir. 1993); *Stern's Miracle-Gro Prods., Inc. v. Shark Prods.*, 823 F. Supp. 1077, 1090-92 (S.D.N.Y. 1993); *Kraft General Foods, Inc. v. Allied Old English, Inc.*, 831 F. Supp. 123, 133-35 (S.D.N.Y. 1993).

81. 399 N.Y.S.2d 628 (1977).

82. *Id.* at 631-32.

83. *Id.* at 632; *Sally Gee, Inc. v. Myra Hogan, Inc.*, 699 F.2d 621, 624 (2d Cir. 1983) (quoting *Allied Maintenance Corp.*, 399 N.Y.S.2d at 632).

84. *Allied Maintenance Corp.*, 399 N.Y.S.2d at 632. Because the Court found that the mark, "Allied Maintenance," was not sufficiently strong to warrant protection under the dilution statute, it stopped short of elaborating on the showing necessary to establish a likelihood of dilution. *Id.* at 632-33.

a third element, predatory intent, as either a relevant or necessary factor.⁸⁵

Having firmly established that the absence of a likelihood of confusion did not bar a dilution claim, an increasing number of courts in the 1980s began to consider a dilution claim as raising the dispositive issue in suits with both a traditional trademark infringement claim and a dilution claim.⁸⁶ For example, in *Instrumentalist Co. v. Marine Corps League*,⁸⁷ the publisher of a music magazine, designed for high school band and orchestra directors, brought a federal trademark and state dilution cause of action against a non-profit organization that, together with the U.S. Marine Corps, sponsored various youth activities, including a national high school band contest.⁸⁸ The plaintiff possessed a registered trademark in the name, "John Philip Sousa," together with a picture of his likeness, for use on plaques and other awards, distributed each year to the most outstanding band member of each participating high school.⁸⁹ The defendant also utilized the name and likeness of John Philip Sousa on an award it issued to the winner of its national high school band contest.⁹⁰ Although the court found that the plaintiff had failed to sustain its burden of proof on the federal trademark infringement claim, the court nonetheless granted injunctive relief on the dilution claim.⁹¹ In so holding, the court relied primarily on the plaintiff's proffered expert testimony that such

85. See, e.g., *Sally Gee, Inc.*, 699 F.2d at 626 (predatory intent, or the lack thereof, is a relevant factor). There is some disagreement in the Second Circuit as to the predatory intent factor. While most courts have held that it is only a relevant factor, other decisions suggest that it is necessary. Compare *Stern's Miracle-Gro Prods. v. Shark Prods.*, 823 F. Supp. 1077, 1092 (S.D.N.Y. 1993) (predatory intent only a relevant factor) with *W.W.W. Pharmaceutical Co. v. Gillette Co.*, 984 F.2d 567, 576-77 (2d Cir. 1993) (indicating, without elaboration, that predatory intent was a necessary element). Noting this confusion, more recently the Second Circuit decided "to proceed cautiously" and refused to hold that predatory intent was a necessary element in every New York dilution action. *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 46 (2d Cir. 1994).

86. See, e.g., *Instrumentalist Co. v. Marine Corps League*, 509 F. Supp. 323, 332-33 (N.D. Ill. 1981); *Hyatt Corp. v. Hyatt Legal Servs.*, 736 F.2d 1153, 1156-57 (7th Cir. 1984).

87. 509 F. Supp. 323 (N.D. Ill. 1981).

88. *Id.* at 325-26.

89. *Id.* at 325-26.

90. *Id.* at 326.

91. *Id.* at 331, 335.

unauthorized use would "water down" the prominence and significance of the plaintiff's award.⁹²

Similarly, in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.*,⁹³ the plaintiff circus company brought a federal trademark infringement and state dilution cause of action against an Illinois car dealership, alleging the defendant had infringed and diluted the plaintiff's registered trademark in the slogan, "the Greatest Show on Earth," by advertising its used car enterprise as "the Greatest Used Car Show on Earth."⁹⁴ A federal magistrate recommended granting the plaintiff injunctive relief on both grounds.⁹⁵ In reviewing the magistrate's decision, the district court could have affirmed on the basis of the federal trademark claim given the ample evidence of a likelihood of confusion.⁹⁶ The defendant's slogan was substantially similar, and deceptively presented "in a manner designed to evoke the circus, using big, bold, red circus-style lettering."⁹⁷ There was also evidence that the plaintiff regularly entered into joint promotions with local retailers, including an automobile dealership in Chicago, in which it licensed the limited use of its slogan, "the Greatest Show on Earth."⁹⁸ However, the district court chose to focus solely on the state dilution count when granting the requested injunctive relief.⁹⁹

In affirming the lower court's decision on the dilution claim, the Seventh Circuit found that the plaintiff's slogan was indeed a strong, distinctive mark based on a number of factors: the length

92. *Id.* at 332-33. The outcome of this lawsuit greatly surprised the defendant's chief counsel, Jerome Gilson, the noted trademark practitioner and treatise writer. Although, at the time, Gilson opposed recognizing a federal dilution cause of action, he has since changed his view and is now one of the leading advocates for adoption of USTA's 1988 proposed federal dilution amendment. See Gilson, *supra* note 16, at 111.

93. 6 U.S.P.Q.2d (BNA) 1300 (N.D. Ill. 1987), *aff'd in part*, 855 F.2d 480, 481 (7th Cir. 1988).

94. 855 F.2d at 481; *see also* 6 U.S.P.Q.2d at 1302.

95. 6 U.S.P.Q.2d at 1302-1303.

96. *Id.* at 1303.

97. 855 F.2d at 482; *see also* 6 U.S.P.Q.2d at 1302.

98. 855 F.2d at 481; *see also* 6 U.S.P.Q.2d at 1301-02.

99. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.*, No. 87-C4741, 1987 WL 17127 (N.D. Ill. 1987).

of time that the mark had been used (over 100 years); the nature and extent of the plaintiff's business and reputation (nationwide); and the scope of advertising and promotions (\$10 million annually for advertising and \$50 million annually from promotional services rendered under the mark).¹⁰⁰ Thus, the Seventh Circuit followed the trend of granting dilution protection to strong marks, despite the fact that they are not coined. The court further found that there was a likelihood of dilution by blurring since the defendant's use, if left unchecked, would create dissonance in the mind of a potential customer:

The mental image would be blurred, at least to anyone who had dealt with the other products or seen their advertising. 'It is the same dissonance that would be produced by selling cat food under the name "Romanoff" or baby carriages under the name "Aston Martin". . . .' This dissonance constitutes irreparable harm that cannot be measured and can only be prevented through an injunction.¹⁰¹

The Seventh Circuit rejected the defendant's argument that granting relief under the dilution statute would result in the monopolization of language. The court noted that it might have ruled differently had the defendant changed its slogan slightly, for instance, to "the Greatest Used Car Showroom On Earth," and not used its circus-evoking presentation.¹⁰²

Ringling Bros. is also interesting because the court suggested it would have recognized a fair use defense in the context of a dilution claim; the court, however, ruled that the defendant lacked such a defense.¹⁰³ The defendant was in the automobile business, not the entertainment business, so the use of the term "show" was not a merely descriptive use. Furthermore, the successful raising of a fair use defense required good faith, and the court explicitly found that the defendant had not engaged in good faith when it

100. *Ringling Bros.*, 855 F.2d at 483.

101. *Id.* at 485 (citations omitted).

102. *Id.* at 482-83.

103. *See id.* at 483.

adopted its mark.¹⁰⁴ Since lack of good faith suggests the defendant intended to profit from its association with the senior holder's mark, the Seventh Circuit would probably agree with the Second Circuit that predatory intent is at least a relevant factor when determining the existence of a likelihood of dilution.¹⁰⁵

The Seventh Circuit again addressed the "dilution by blurring" issue in *Hyatt Corp. v. Hyatt Legal Services*.¹⁰⁶ In *Hyatt*, the Seventh Circuit affirmed the district court's holding that the defendant's use of the name, "Hyatt," for a legal services firm that catered primarily to indigent clientele did not infringe the plaintiff's identical trademark, which was federally registered for its hotel chain.¹⁰⁷ In so doing, the Seventh Circuit accepted the district court's finding that there was no likelihood of confusion, based largely on the differences in the parties' respective services and customers.¹⁰⁸ However, it reversed the district court's denial of relief on the state dilution count.¹⁰⁹

As in *Ringling Bros.*, the Seventh Circuit rejected the argument that only coined or invented words merited protection under the dilution statute.¹¹⁰ The court found that, although Hyatt was a personal name, it had become distinctive because of the plaintiff's use of the mark for over 25 years, and its use in the plaintiff's extensive advertising campaign and nationwide business.¹¹¹ Therefore, the mark was worthy of protection under the dilution statute.¹¹²

The court further found that there was a likelihood of dilution by blurring for three reasons: first, because the defendant's mark was identical; second, the defendant had expended millions of dollars in advertising its name in the past few years; and third, the

104. *Id.* at 484.

105. *See Mead Data Cent.*, 875 F.2d at 1037.

106. 736 F.2d 1153 (7th Cir. 1984).

107. *Id.* at 1156-57.

108. *Id.* at 1156-57.

109. *Id.* at 1158-60.

110. *Id.* at 1158.

111. *Id.* at 1156.

112. *Id.* at 1158.

defendant planned to expand its business to a nationwide enterprise.¹¹³ The Seventh Circuit therefore concluded that the defendant's use of its identical mark on a nationwide scale would "gnaw away insidiously at the value" of the plaintiff's mark.¹¹⁴ Moreover, the court found that this "injury would be remarkably difficult to convert into damages" because "[t]here is no effective way to measure the loss of sales or potential growth—to ascertain the people who don't knock on the door or to identify the specific persons who do not [return] because of the existence of the infringer."¹¹⁵ Accordingly, injunctive relief under the dilution statute was appropriate.

The Seventh Circuit, once again, suggested that a defendant may assert a potential fair use defense in the context of a dilution claim. It noted that the defendant could have lawfully used the full personal name of one of its partners, "Joel Hyatt," as its trade name.¹¹⁶ In fact, when granting injunctive relief, the Seventh Circuit noted that the defendant would be allowed to adopt the name, "Joel Hyatt Legal Services," or some other distinguishing variation without violating the state dilution statute.¹¹⁷

While *Ringling Bros.* and *Hyatt* helped to develop the "dilution by blurring" doctrine, greater refinement of the doctrine occurred in the Second Circuit's decision in *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*¹¹⁸ In this case the plaintiff, a computerized legal research services firm, sought injunctive relief to prevent the defendant automobile company from using the term "LEXUS" for its new luxury automobile line.¹¹⁹ The plaintiff alleged that such use would both infringe and dilute its mark "LEXIS" for its computerized legal research services.¹²⁰ The district court denied the plaintiff's federal trademark claim but granted

113. *Id.*

114. *Id.*

115. *Id.* at 1158-59 (quoting *Instrumentalist Co.*, 509 F. Supp. at 323).

116. *See id.* at 1159.

117. *Id.*

118. 875 F.2d 1026 (2d Cir. 1989), *rev'g*, 702 F. Supp. 1031 (S.D.N.Y. 1988).

119. *Id.* at 1027.

120. *Id.*

injunctive relief on the dilution count.¹²¹ The Second Circuit reversed the lower court's finding on the dilution claim without addressing the trademark infringement issue.¹²²

The Second Circuit's decision in *Mead* is significant for a number of reasons. First, it clarified the level of distinctiveness required to trigger dilution protection. According to the majority opinion, it is not enough that a mark be strong and distinctive. Rather, the mark must also be famous before it can claim the benefit of dilution protection.¹²³ Furthermore, the majority opinion strongly suggested that in order to qualify as a famous mark, the mark must be well-known to the public generally and on a nationwide scale:

[T]he fact that a mark has selling power in a limited geographical or commercial area does not endow it with a secondary meaning for the public generally The strength and distinctiveness of LEXIS is limited to the market for its services—attorneys and accountants. Outside that market, LEXIS has very little selling power. Because only one percent of the general population associates LEXIS with the attributes of Mead's service, it cannot be said that LEXIS identifies that service to the general public and distinguishes it from others¹²⁴

Thus, the majority opinion took a narrow view of the dilution doctrine, in accordance with Schechter's original intention that the theory protect only famous marks such as Kodak, Rolls Royce, and Buick.¹²⁵

Second, the majority opinion clarified that the dilution doctrine protects a plaintiff from unauthorized uses of marks that are identical or substantially similar to its own.¹²⁶ However, the court then

121. *Mead Data Cent.*, 702 F. Supp. at 1039-40, 1044-45.

122. *Mead Data Cent.*, 875 F.2d at 1027, 1032.

123. *Id.* at 1030-31.

124. *Id.* (citations omitted).

125. See Schechter, *supra* note 26, at 829-30; see also Handler, *supra* note 26, at 274-76.

126. *Mead Data Cent.*, 875 F.2d at 1028-29.

rigorously applied the "substantial similarity" requirement and found that the term "Lexus" was not substantially similar to the term "Lexis" because they were pronounced differently.¹²⁷ In so holding, the majority opinion appeared to adopt a copyright-like analysis, which affords some degree of leeway to the copyist.¹²⁸

Third, the majority opinion clarified that although the dilution doctrine does not require the unauthorized junior use to result in confusion in the mind of the consuming public, the doctrine does require the use to trigger at least some mental association with the senior mark.¹²⁹ When determining whether a junior use is likely to result in dilution, it is imperative to compare the scope of the defendant's market to that of the plaintiff's.¹³⁰ If, as in this case, the plaintiff's market is extremely limited in scope either commercially or geographically, so that a significant percentage of the defendant's consuming public does not even know of the plaintiff's product, there can be no requisite mental association triggered by the defendant's use and, thus, blurring cannot occur.¹³¹ Because this requisite association is more likely to occur with famous marks, the majority opinion restricted the dilution doctrine to the protection of only famous marks.¹³²

Fourth, the court found that when determining whether a likelihood of dilution exists, the sophistication of prospective purchasers is a relevant factor.¹³³ In *Mead*, the plaintiff's market consisted primarily of lawyers and accountants, who were relatively sophisti-

127. *Id.* at 1029-30.

128. *See, e.g.,* *Aliotti v. R. Dakin & Co.*, 831 F.2d 898, 900-01 (9th Cir. 1987); *Berkic v. Chrichton*, 761 F.2d 1289, 1291-92 (9th Cir. 1985). In order to prevail in a federal copyright case, a plaintiff must prove that there is "substantial similarity" between his own protected creation and the defendant's work. *Berkic*, 761 F.2d at 1291. Because only the particular, concrete expressions of ideas, and not the ideas themselves, are protectable under federal copyright law, the common law tests devised for determining "substantial similarity" grant a certain amount of leeway to an accused copyist. *See Aliotti*, 831 F.2d at 901.

129. *Mead Data Cent.*, 875 F.2d at 1031.

130. *Id.*

131. *See id.*

132. *Id.* at 1031.

133. *Id.* at 1031-32.

cated professionals. Thus, the court found there was little likelihood that blurring would occur, even within the plaintiff's limited market.¹³⁴

Judge Sweet's concurring opinion in *Mead Data Central, Inc.* is important in its own right, for two reasons. First, unlike the majority opinion, Judge Sweet found that an extremely strong, distinctive mark that was famous in a limited geographic or product market was just as worthy of protection under the dilution statute as was a nationally famous mark.¹³⁵ On this point, there are more cases that agree with Judge Sweet than with the majority opinion.¹³⁶

Second, echoing *Polaroid*, Judge Sweet outlined the relevant factors that a court should consider when determining whether likelihood of dilution by blurring exists in any given case.¹³⁷ These factors include: (1) the similarity of the marks; (2) the similarity of the products covered by the marks; (3) the sophistication of consumers; (4) predatory intent; (5) renown of the senior mark; and (6) renown of the junior mark.¹³⁸ Applying the factors to the case at bar, Judge Sweet concluded that he concurred in the finding of no likelihood of blurring, but he disagreed with the majority opinion concerning whether the threshold level of distinctiveness existed. According to Sweet, the "differences in the marks and in the products covered by the marks, the sophistication of Mead's consumers,

134. *Id.*

135. *Id.* at 1032-33.

136. See, e.g., *Kraft Gen'l Foods, Inc. v. Allied Old English, Inc.*, 831 F. Supp. 123, 134 (S.D.N.Y. 1993) (misreading *Mead Data Cent.* as holding that "distinctiveness for dilution purposes often has been equated with the strength of a mark for infringement purposes"); *Ameritech, Inc. v. American Info. Technologies Corp.*, 811 F.2d 960, 965 (6th Cir. 1987) (stating that "[p]laintiff's trademark need not be nationally famous, however, for a mark that is strong in a particular geographical or product area also deserves protection"); *Dreyfus Fund*, 525 F. Supp. at 1125 (stating that "[t]he statute should not be read to deprive marks from protection against dilution in limited areas of use, since otherwise it would afford protection only to the most notorious of all marks"); *Wedgewood Homes, Inc. v. Lund*, 659 P.2d 377, 381 (Or. 1982) (rejecting "defendant's suggestion that the statute be limited to nationally famous marks" since "[a] small local firm may expend efforts and money proportionately as great as those of a large firm in order to establish its mark's distinctive quality").

137. See *Mead Data Cent.*, 875 F.2d at 1035-40.

138. See *supra* note 40 and accompanying text (discussing *Polaroid* factors).

the absence of predatory intent, and the limited renown of the LEXIS mark all indicate that blurring is unlikely.”¹³⁹

One final, noteworthy case in the “dilution by blurring” area is *McDonald’s Corp. v. Arche Technologies*.¹⁴⁰ In *McDonald’s Corp.*, the district court for the Northern District of California held that although the defendant computer manufacturer’s use of its single “golden arch” design on its personal computers did not infringe the plaintiff fast-food restaurant company’s “golden arch” logo, such use did violate the state dilution statute.¹⁴¹ This case demonstrates the extent to which the dilution doctrine has become accepted by the judiciary. In the Ninth Circuit, not only word marks, but designs and colors are capable of being diluted.¹⁴² As evidenced by *McDonald’s Corp.*, the “dilution by blurring” theory has indeed come a long way since Schechter first proposed it for famous word marks in 1927.¹⁴³

B. Dilution By Tarnishment

While the dilution by blurring doctrine seeks to protect the uniqueness and distinctiveness of a mark, the dilution by tarnishment theory strives to prevent the diminution of the positive, quality-connoting associations the holder has labored to create through advertising and promotion.¹⁴⁴ Implicit in this theory is the notion that a trademark represents the reputation and goodwill of the holder, which are susceptible to injury. Although the Model

139. *Mead Data Cent.*, 875 F.2d at 1040.

140. 17 U.S.P.Q.2d (BNA) 1557 (N.D. Cal. 1990).

141. *Id.* at 1559-60.

142. *See id.* This case is also important because the court refused to treat predatory intent, or the absence thereof, as a relevant factor when determining if likelihood of dilution existed. *Id.* at 1560.

143. *See Schechter, supra* note 26, at 831-33. At least one other case has entertained a claim for dilution of a color. *See R.L. Winston Rod Co. v. Sage Mfg. Co.*, 838 F. Supp. 1396, 1400-02 (D. Mont. 1993) (denying defendant’s motion to dismiss plaintiff fishing rod manufacturer’s dilution claim that defendant’s use of the color green for its top-of-the line fishing rods diluted plaintiff’s alleged trademark in the color green for a similar rod; but denying plaintiff’s motion for injunctive relief under the state dilution statute on the grounds that plaintiff had not established that its use of the color green constituted a valid trademark).

144. *See MCCARTHY, supra* note 1, § 24.13(1)(a)(ii).

State Trademark dilution provision, and most state dilution statutes, read as if "injury to business reputation" constitutes a separate claim from dilution, most courts, and at least one commentator, are in accord that the former is subsumed by the latter.¹⁴⁵ Under the majority interpretation, injury to business reputation is the likely result when dilution by tarnishment occurs.¹⁴⁶

Dilution by tarnishment can occur in two ways: (1) by the unauthorized junior use of a senior holder's mark on goods or services of inferior quality; and (2) by the unauthorized junior use of a senior holder's mark in an unwholesome context.¹⁴⁷ The concern of each form of tarnishment is that such unauthorized junior use will produce negative, dissonant associations that will conflict with and diminish the positive associations connected with the mark as a symbol of quality. Thus, the tarnishment doctrine seeks to address the same concern raised by traditional trademark law in the licensing area.¹⁴⁸ If a holder cannot control the use of his mark to prevent the public from associating it with inferior goods or unwholesome subjects, then the selling value of the mark as a symbol of quality and reliability will eventually diminish.¹⁴⁹

Tiffany presents both tarnishment prongs at work. Although the court also found dilution by blurring, its primary dilution concern was the likely diminution in the "Tiffany" mark as a symbol of high quality due to the defendant's continued use.¹⁵⁰ According to

145. See *id.* § 24.14(2).

146. See, e.g., *Accuride Int'l, Inc. v. Accuride Corp.*, 871 F.2d 1531, 1538 (9th Cir. 1989) (stating that a claim for "[i]njury to business reputation is typically invoked where the plaintiff's mark or name is tarnished or degraded through association with something unsavory").

147. See *MCCARTHY*, *supra* note 1, § 24.16(1), (3).

148. Of course, the traditional trademark infringement suit requires proof of a confusing use (e.g., on inferior goods) before a court will remedy the tarnishing injury resulting from such use. See, e.g., *Payless Shoesource, Inc. v. Reebok Int'l Ltd.*, 998 F.2d 985, 989 (Fed. Cir. 1993) (discussing post-sale confusion as satisfying the confusion requirement). The dilution by tarnishment doctrine does not require proof that such use is likely to confuse.

149. See, e.g., *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183, 1190-91 (E.D.N.Y. 1972).

150. *Tiffany & Co. v. The Boston Club, Inc.*, 231 F. Supp. 836 (D. Mass. 1964); see also *supra* note 69 and accompanying text.

the court, the diminution would result because of the inferior quality of the defendant's goods and services, and the unwholesome context in which the defendant advertised its mark.¹⁵¹ Regarding the former, the court cited the inferior services provided at the defendant's restaurant and bar, in addition to the mediocre quality of a radio program, which the defendant sponsored as part of a promotion.¹⁵² Regarding the latter, the court noted that, due to its clientele, the defendant restaurant and bar primarily advertised on the same newspaper page as strip joints, night clubs and pornographic movie houses.¹⁵³

*Coca-Cola Co. v. Gemini Rising, Inc.*¹⁵⁴ is another early case that influenced the development of the "tarnishment by unwholesome context" doctrine. In *Coca-Cola*, the soft drink manufacturer sought to prevent the defendant poster company from printing and selling posters depicting the phrase "Enjoy Cocaine" in the same typescript and with the same red background as the plaintiff's registered "Coca-Cola" mark, used in the plaintiff's advertising campaign.¹⁵⁵ The plaintiff produced evidence that several customers had called or written either the plaintiff or local newspapers to complain about the poster, inquiring about how the company could sponsor or approve of such drug use, and threatening a boycott of the plaintiff's products unless it ceased distributing the poster.¹⁵⁶ Apparently, the Coca-Cola company had earlier embarked on an advertising campaign that utilized its mark in an "Op-Art" context similar to that of the defendant's poster.¹⁵⁷ The court further took judicial notice that the plaintiff's original product, bearing the name "Coca-Cola," had utilized an extract from the Andean coca leaf, which is the source of cocaine.¹⁵⁸ Based on this evidence, the court granted injunctive relief under the Lanham Act, finding that the

151. *Tiffany*, 231 F. Supp. at 843-44.

152. *Id.* at 844.

153. *Id.* at 843.

154. 346 F. Supp. 1183 (E.D.N.Y. 1972).

155. *Id.* at 1186-87.

156. *Id.* at 1188-90.

157. *Id.* at 1189-90.

158. *Id.* at 1189 n.7.

plaintiff had proved a likelihood of confusion as to source, sponsorship, or approval of the poster in question.¹⁵⁹ The Court further stated, however, that even in the absence of such confusion, it would still have granted injunctive relief under New York's dilution statute.¹⁶⁰ In so holding, the court rejected the defendant's First Amendment defense.¹⁶¹

In another early, influential case in the tarnishment area, *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*,¹⁶² the plaintiff company, which handled all the licensing and promotional use of the name "Dallas Cowboys Cheerleaders" and likenesses, sought to prevent the further distribution of a pornographic movie that the defendant falsely advertised as starring a former Dallas Cowboys cheerleader, and which depicted the star wearing various bits of a costume substantially similar to the Dallas Cowboys cheerleader costume.¹⁶³ As in *Coca-Cola*, the court's primary focus was on the trademark infringement count. Although the plaintiff had not proffered any evidence of actual confusion, as did the plaintiff in *Coca-Cola*, the court nevertheless found that based upon the deceptive advertising and use of the substantially similar costume, there was a showing of a likelihood of confusion regarding the plaintiff's sponsorship of the movie.¹⁶⁴

The court further held, that, even in the absence of confusion, the defendant had violated the New York dilution statute.¹⁶⁵ The court's decision was influenced by its finding that the defendant had misappropriated the plaintiff's name and marks in order to "cash in on the Dallas Cheerleaders' popularity and attracting power" in order "to attract customers to view the sex acts in the movie."¹⁶⁶ According to the court, such use would diminish the "poten-

159. *Id.* at 1190-91.

160. *Id.* at 1191-92 (referring to N.Y. GEN. BUS. LAW, § 368-d (McKinney 1995)).

161. *Id.* at 1192-93; *see also infra* part IV (discussion of First Amendment concerns raised by the dilution doctrine).

162. 467 F. Supp. 366 (S.D.N.Y.), *aff'd*, 604 F.2d 200 (2d Cir. 1979).

163. *Id.* at 369-371.

164. *Id.* at 376-77.

165. *Id.* at 377.

166. *Id.* at 376-77.

cy" of the plaintiff's mark even in the absence of confusion.¹⁶⁷ The Second Circuit echoed these sentiments in affirming the lower court's decision, stating "it is hard to believe that anyone who had seen defendants' sexually depraved film could ever thereafter disassociate it from plaintiff's cheerleaders."¹⁶⁸ Thus both the lower and appellate courts rejected the defendant's fair use-parody and First Amendment defenses.¹⁶⁹

All of the above-mentioned cases reflect the early reluctance of courts to find dilution by tarnishment without first finding a likelihood of confusion. As in the dilution by blurring area, there are extant more cases in which courts have found both traditional trademark infringement and dilution by tarnishment than there are cases involving solely a finding of dilution by tarnishment.¹⁷⁰ However, just as in the "dilution by blurring area," there currently exists a trend in which courts have decided cases based exclusively on the dilution by tarnishment ground.¹⁷¹

For example, in *Coca-Cola Co. v. Alma-Leo U.S.A., Inc.*,¹⁷² the plaintiff soft drink manufacturer brought a lawsuit claiming both federal trademark infringement and dilution by the defendant candy company's sale of a bubble gum product, which came in a white powder form in a plastic container that closely resembled the classic Coca-Cola bottle.¹⁷³ The court chose to address only the dilu-

167. *Id.* at 377.

168. *Dallas Cowboys Cheerleaders*, 604 F.2d at 205.

169. *Id.* at 205-06; *Dallas Cowboys Cheerleaders*, 467 F. Supp. at 375-77. For a discussion of the fair use First Amendment issues raised by this and other cases, see *infra* part IV.

170. See, e.g., *Grey v. Campbell Soup Co.*, 650 F. Supp. 1166, 1174-75 (C.D. Cal. 1986) (manufacturer of dog biscuits using the mark "DOGIVA" both infringed and tarnished the plaintiff's mark "GODIVA" for high quality chocolate products); *Academy of Motion Picture Arts and Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446, 1456-57 (9th Cir. 1991) (defendant's use of "Oscar" design for its own awards statue, which was made of cheap material, both infringed and diluted the plaintiff's "Oscar" mark).

171. See, e.g., *American Express Co. v. Vibra Approved Labs.*, 10 U.S.P.Q.2d (BNA) 2006 (S.D.N.Y. 1989); see also *infra* notes 176-85 and accompanying text.

172. 719 F. Supp. 725 (N.D. Ill. 1989).

173. *Id.* at 726.

tion count,¹⁷⁴ concluding that both elements of a dilution claim existed.¹⁷⁵ The court held that the soft drink manufacturer's mark in its bottle design was strong and distinctive enough to be protected under the dilution statute, since "Coca-Cola's bottle represents the archetypical distinctive mark."¹⁷⁶ The court also found there was a likelihood of dilution by both blurring and tarnishment.¹⁷⁷ Regarding the latter, the court held that the bubble gum product, which was labeled "Magic Powder," closely resembled cocaine.¹⁷⁸ The court further found that by placing the powder in a container, which strikingly mirrored the plaintiff's bottle, the defendant's product would trigger a mental association between cocaine and the plaintiff.¹⁷⁹ According to the court, the association of "such a noxious substance as cocaine with plaintiff's wholesome beverage" would clearly have a tendency to impugn that product and injure plaintiff's business reputation."¹⁸⁰ Furthermore, the court, in addressing the "public interest" requirement for a showing of injunctive relief, found that because trademark protection serves the public interest, trademark dilution "cannot help but operate to the public's detriment."¹⁸¹ Accordingly, the court granted the injunctive relief requested.¹⁸²

*American Express Co. v. Vibra Approved Laboratories Corp.*¹⁸³ is another recent case that illustrates the increased seriousness with which courts have embraced the dilution by tarnishment doctrine. In *American Express*, the plaintiff financial and travel services company sought to prevent the further sale of one of the defendant novelty company's products. The product was a card, the front of which exactly duplicated an American Express credit card, includ-

174. *Id.*

175. *Id.* at 727-28.

176. *Id.*

177. *Id.* at 728.

178. *Id.*

179. *Id.*

180. *Id.* (quoting *Coca-Cola Co.*, 346 F. Supp. at 1189). As in the earlier *Coca-Cola* case, the Court took judicial notice of the original Coca-Cola's connection with the Andean coca leaf, from which cocaine is derived. *See id.*

181. *Id.* at 730 (citing *Hyatt Corp.*, 736 F.2d at 1159).

182. *Id.*

183. 10 U.S.P.Q.2d (BNA) 2006 (S.D.N.Y. 1989).

ing the name "American Express," the familiar gladiator logo, and the colors of the plaintiff's green card.¹⁸⁴ Inside the card was a condom with the words, "Never Leave Home Without It," printed directly opposite it.¹⁸⁵ The plaintiff possessed registered marks in the name "American Express," the gladiator logo, and the phrase "Don't Leave Home Without It."¹⁸⁶ Although the defendant's card virtually duplicated these marks, and despite the fact that the plaintiff had actually received an earlier request to market such a product as part of an anti-AIDS campaign, the court rejected the plaintiff's federal trademark infringement claim, finding that there was no likelihood of confusion due to the dissimilarity of the products, the disparate marketing channels used, and the sophistication of the plaintiff's customers.¹⁸⁷

However, the court held for the plaintiff on its state dilution claim holding that the "American Express" mark was a strong one.¹⁸⁸ The court found that the plaintiff had conducted an extensive advertising campaign, which had "painted a picture of its charge card as one of quality and prestige, available to only the most select group of consumers."¹⁸⁹ Accordingly, the court concluded that "[t]his image provoking characteristic of the [American Express] trademark[s] establishes its associational qualities which entitle it to protection from dilution."¹⁹⁰ The court then noted that since the defendant's sale of its novelty card, another company had manufactured a similar "American Express" condom card.¹⁹¹ Consequently, the court held that allowing the defendant to continue marketing its card would likely dilute the distinctive, quality-evoking associations of the plaintiff's marks: "[D]efendants' condom card cannot be shrugged off as a mere bawdy jest, unreachable by any legal theory. American Express has a legitimate concern that its own products' reputation may be tarnished by defendants' con-

184. *Id.* at 2007.

185. *Id.*

186. *Id.*

187. *Id.* at 2010-11.

188. *Id.* at 2012.

189. *Id.* at 2013.

190. *Id.* (quoting *Toys "R" Us v. Canarsie Kiddie Shop, Inc.*, 559 F. Supp. 1189, 1208 (S.D.N.Y. 1983) (alterations in original)).

191. *Id.*

duct; and that damage, impossible to quantify and hence irreparable, will result.”¹⁹²

Interestingly, a recent “dilution by tarnishment” case involved a company that was a party in one of the first dilution cases.¹⁹³ In *Eastman Kodak Co. v. D.B. Rakow*,¹⁹⁴ the plaintiff photographic product company brought a federal trademark infringement and state dilution cause of action against a comedian that had adopted the name “Kodak” as his stage name.¹⁹⁵ Considering only the dilution count, the court noted that the defendant’s act “includes humor that relates to bodily functions and sex, and that . . . uses crude, off-color language repeatedly.”¹⁹⁶ The plaintiff had adopted a corporate policy “prohibit[ing] the association of the Kodak mark with programs that contain ‘excessive and gratuitous violence or sexual themes for their own sake when such material plays no part or makes no important contribution to a dramatic statement.’”¹⁹⁷ The plaintiff had spent more than one billion dollars over the previous five years alone to advertise and promote its products under the Kodak mark.¹⁹⁸ Based on the foregoing, the court concluded that the defendant’s continued use of the “Kodak” name would likely dilute the plaintiff’s mark both on blurring and tarnishment grounds.¹⁹⁹ When so holding, the court cited to Callman’s popularization of Schechter’s theory, which has become well known in its own right:

The use of a mark similar [in this case identical] to the plaintiff’s constitutes a trespass upon his property rights in his mark, for it necessarily involves a gradual impairment of its selling power; it is analogous to the situation where the plaintiff’s building is demolished because it is carried away stone by stone.²⁰⁰

192. *Id.* at 2013-14.

193. *See supra* note 32 and accompanying text.

194. 739 F. Supp. 116 (W.D.N.Y. 1989).

195. *Id.* at 117.

196. *Id.* at 118 (quoting Pl.’s Compl. ¶ 26 (No. Civ. 88-300L)).

197. *Id.*

198. *Id.* at 119.

199. *Id.* at 118-20.

200. *Id.* at 119 (quoting 1954 N.Y. STATE LEGIS. ANN. at 50 (quoting 3 CALLMAN, UNFAIR COMPETITION AND TRADE-MARKS, p. 1650 (1950))).

Thus, Kodak and the dilution theory have come full circle. Once the plaintiff in a trademark infringement suit that inspired Schechter to articulate dilution as a distinct theory of recovery,²⁰¹ Kodak has reaped the benefits of this theory by successfully asserting it in an action nearly a century later.

C. *Dilution By Genericization*

As one trademark practitioner recently wrote:

[F]ew trademark issues are as important to trademark owners and their counsel as the relationship between valid trademarks . . . and generic terms When and why—in the eyes of the law—does a famous trademark, known by many but owned by one party alone, become a generic term free for all to use?²⁰²

The student of trademark law quickly learns that even coined marks, once strong, can lose their trademark status if, over time, the primary significance of the mark to the purchasing public comes to connote the class or genus of goods to which the product belongs rather than the source of the product.²⁰³ A trademark holder can take preventive measures in an attempt to keep its mark strong, but such efforts are not always successful. For example, in *Murphy Door Bed Co., v. Interior Sleep Systems, Inc.*,²⁰⁴ the Second Circuit held that “Murphy bed” had become a generic term for a fold-out closet bed. The Murphy Door Bed Company had utilized the term for decades as the unregistered mark for its product, and had attempted to police its mark by complaining to competitors to refrain from using the same or similar mark.²⁰⁵ According to the Second Circuit, the use of the term in dictionaries, newspapers and magazines to refer to a type of bed was strong evidence “of the general public’s perception that Murphy bed connotes something

201. See *Eastman Kodak v. Kodak Cycle Co.*, 15 RPC 105 (1898); see also *Pattishall*, *supra* note 7, at 289; *supra* note 32 and accompanying text.

202. Vincent N. Palladino, *Genericness and the Trademark Clarification Act of 1984: Five Years Later*, 79 TRADEMARK REP. 657 (1989).

203. See, e.g., *Bayer Co. v. United Drug Co.*, 272 F. 505, 512-13 (S.D.N.Y. 1921).

204. 874 F.2d 95 (2d Cir. 1989).

205. *Id.* at 98, 101.

other than a bed manufactured by the Murphy Co.”²⁰⁶ Since the mark had “entered the public domain beyond recall, policing [was] of no consequence”²⁰⁷

Some trademark practitioners have seized upon the dilution doctrine in an attempt to find additional weapons with which to protect trademarks from genericization. These practitioners argue that the genericization of a mark is the ultimate form of dilution, and therefore a plaintiff ought to be able to bring a dilution action against a defendant that is using the mark in a way that encourages the public to view the mark as the product type.²⁰⁸ Thus far, only a few courts have been receptive to this rationale.

For example, in *Selchow & Righter Co. v. McGraw-Hill Book Co.*,²⁰⁹ the manufacturer of the word game, “Scrabble,” sought to prevent the use of its mark, “SCRABBLE,” in the title of the defendant’s dictionary, “The Complete SCRABBLE DICTIONARY.”²¹⁰ The plaintiff had previously licensed the use of its name in book titles issued by other publishers.²¹¹ The plaintiff also had initiated plans to come out with its own dictionary.²¹² While the plaintiff’s cause of action appears to have been couched in traditional federal trademark infringement law, the Second Circuit affirmed the granting of injunctive relief on the grounds that the defendant’s use of the plaintiff’s mark in its title could well render the mark generic or seriously dilute it.²¹³

More recently, in *Sykes Laboratory, Inc. v. Kalvin*,²¹⁴ the manufacturer of a nail hardener and conditioner, which bore its name “Sykes” and the mark “Perfect Nail,” sought to prevent the further

206. *Id.* at 101.

207. *Id.* (citing *King-Seeley Thermos Co. v. Alladin Indus., Inc.*, 321 F.2d 577, 579 (2d Cir. 1963)).

208. See, e.g., Cyd B. Wolf, *Trademark Dilution: The Need For Reform*, 74 TRADE-MARK REP. 311, 313 (1985).

209. *Selchow & Righter Co. v. McGraw-Hill Book Co.*, 580 F.2d 25 (2d Cir. 1978).

210. *Id.* at 26.

211. *Id.*

212. *Id.*

213. *Id.* at 27-28.

214. 610 F. Supp. 849 (C.D. Cal. 1985).

sale of the defendant's generic version of its product.²¹⁵ The defendant manufactured an entire line of generic cosmetics under its mark "Generic Brand."²¹⁶ The defendant labeled its generic version of the plaintiff's product as the "Generic Brand Version of Sykes' Perfect Nail,"²¹⁷ and used the same bottle shape as the plaintiff's product.²¹⁸ As part of its display, the defendant listed the Sykes' product along with several other name brands on a comparison chart that stated, "If You Like the Name Brand, You'll Love the GENERIC BRAND."²¹⁹ The plaintiff brought a multi-pronged cause of action, including claims for federal trademark infringement and state dilution.²²⁰ The court dismissed all the claims except for the state dilution claim.²²¹

Regarding the federal trademark infringement claim, the court found there was no likelihood of confusion since the defendant's product was not deceptively labeled.²²² In addition, the court also found that the display was proper under the law governing comparative advertising.²²³ It further concluded that the plaintiff's registered trademark for its bottle design was invalid since the design, which was largely utilitarian in function, had failed to acquire the secondary meaning necessary for it to achieve trademark status.²²⁴

However, with respect to the state dilution count, the district court found that California's dilution law applies to both competitors and non-competitors.²²⁵ Therefore, the court held that applying the state dilution statute to this case was particularly appropriate,

215. *Id.* at 851.

216. *Id.* at 851-52.

217. *Id.*

218. *Id.* at 852. A bottle shape can serve as a valid trademark only if it has "achieved that degree of consumer recognition known as 'secondary meaning.'" *Id.* at 861. Although the plaintiff had registered its bottle design with the U.S. Patent and Trademark Office, the court ordered the cancellation of this registration after finding that the plaintiff had failed in creating secondary meaning for its bottle shape. *Id.* at 863.

219. *Id.* at 852.

220. *Id.* at 851.

221. *Id.* at 851-52.

222. *Id.* at 853-55.

223. *Id.* at 854-55.

224. *Id.* at 861-63.

225. *Id.* at 856-57.

because the defendant's use of the plaintiff's mark "creates a serious threat to the uniqueness and distinctiveness' of the trademark, and if continued would create a risk of making . . . generic . . . the words of which the trademark is composed."²²⁶ Accordingly, the court upheld the state dilution claim, stating that the plaintiff could prevail at trial by proving: (1) its mark was strong; (2) the defendant used the mark to identify its own product; and (3) such usage was likely to render its mark a generic term.²²⁷

Sykes raises a series of questions concerning the proper scope of the dilution doctrine, including whether it should apply to cases involving competitors as well as questions concerning First Amendment restrictions.²²⁸ While this paper addresses these concerns in part IV below, at this juncture the reader should note that, currently, the Circuits are in disagreement concerning the applicability of the dilution doctrine to suits involving competitors.

In the Second Circuit, until recently, there was widespread disagreement between the district courts on this issue.²²⁹ However, in *Nikon Inc. v. Ikon Corp.*,²³⁰ the Second Circuit definitively held that the New York dilution statute applies to suits involving competitors as well as non-competitors.²³¹ The Second Circuit ignored the legislative history that strongly suggested the dilution statute was intended to provide protection for a mark's use on non-competitive goods.²³² The court, instead, focused on the language of the statute, which states that it applies in cases "notwithstanding the absence of competition between the parties."²³³ According to the Second Circuit, this language, on its face, indicates that the pres-

226. *Id.* at 858 (quoting *Smith v. Chanel*, 402 F.2d 562, 569 (9th Cir. 1988)).

227. *Id.*

228. *Id.* at 858-859; see also *infra* part IV.D (discussing First Amendment concerns).

229. Compare *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 786 F. Supp. 182, 214-15 (E.D.N.Y. 1992) (N.Y. dilution statute does not apply to suits between competitors) with *Frito-Lay, Inc. v. Bachman Co.*, 704 F. Supp. 432, 437-38 (S.D.N.Y. 1989) (N.Y. dilution statute applies to suits between competitors).

230. 987 F.2d 91 (2d Cir. 1993).

231. *Id.* at 96.

232. *Id.*

233. *Id.* (quoting N.Y. GEN. BUS. LAW § 368-d (McKinney 1984)).

ence or absence of competition between the parties is irrelevant.²³⁴ The Second Circuit subsequently reaffirmed its holding that the New York anti-dilution statute applies to suits between competitors in the recent case of *Deere & Co. v. MTD Products, Inc.*²³⁵

The Ninth Circuit, however, has not squarely addressed the issue decided by the *Sykes* court. Therefore, it is unclear whether the Ninth Circuit would uphold *Sykes*' expansion of the dilution doctrine into suits between competitors. The Seventh Circuit, in contrast, has definitively held that the Illinois dilution statute²³⁶ does not apply to suits between competitors.²³⁷ Consequently, in the Seventh Circuit, if a plaintiff competitor cannot prove a likelihood of confusion in its federal trademark infringement claim, it cannot launch a second attack on a dilution theory.²³⁸

D. Dilution Under *Deere & Co. v. MTD Products, Inc.*

In the recent case of *Deere & Co. v. MTD Products, Inc.*,²³⁹ the Second Circuit expanded the range of suits cognizable under New York's anti-dilution statute to encompass situations where a competitor's alteration of a company's well-known trademark does not necessarily result in the blurring or tarnishment of the latter's mark.²⁴⁰ *Deere & Co.*, which is the world's largest supplier of agricultural equipment, alleged that an Ohio lawn tractor company's humorous alteration of the plaintiff's stag deer trademark in a television commercial violated both the Lanham Act as well as New York's anti-dilution statute.²⁴¹ Regarding *Deere*'s mark, the court described it as a "static, two-dimensional silhouette of a leaping male deer in profile."²⁴² The defendant's commercial depicted

234. *Id.* (quoting *LeSportsac v. K Mart*, 617 F. Supp. 316, 319 (E.D.N.Y. 1985)).

235. 41 F.3d 39, 42 (2d Cir. 1994); *see also infra* part III.D.

236. ILL. ANN. STAT. ch. 765, § 1035/15 (1993).

237. *See AHP Subsidiary Holding Co. v. Stuart Hale Co.*, 1 F.3d 611, 619 (7th Cir. 1993); *see also EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375, 380 (7th Cir. 1984).

238. The Seventh Circuit has not clearly articulated its rationale for restricting the dilution doctrine only to suits between competitors. *But see infra* part IV.B (explaining why such a restriction is prudent for most dilution cases).

239. 41 F.3d 39 (2d Cir. 1994).

240. *Id.* at 44. Note that genericization was not a concern in this case.

241. *Id.* at 41-42.

242. *Id.* at 41.

a smaller and wider deer on a lawn tractor, which became animated when seeing the defendant's competing "Yard-Man" lawn tractor.²⁴³ In the commercial, the depicted deer looked over its shoulder, jumped through the logo frame, and ran, "in apparent fear," while being chased by the Yard-Man lawn tractor and a barking dog.²⁴⁴ Although Deere's name did not appear on the deer logo, or anywhere else in the commercial, the court found that the defendant's "intent was to identify Deere as the market leader and convey the message that Yard-Man was of comparable quality but less costly than a Deere lawn tractor."²⁴⁵

Upon a motion for a preliminary injunction, the district court ignored the federal trademark infringement claim and ruled that the plaintiff had demonstrated a probability of prevailing on its state dilution count under "dilution by blurring" law.²⁴⁶ The district court then issued a preliminary injunction limited strictly to activities within New York state.²⁴⁷ The Second Circuit affirmed the district court's finding of a likelihood of dilution, but for different reasons.²⁴⁸

Unlike the district court, the Second Circuit did not believe that the defendant's use of Deere's trademark in its commercial gave rise to a likelihood of dilution by blurring because such use posed "slight if any risk of impairing the identification of Deere's mark with its products."²⁴⁹ The Second Circuit also did not think that such use constituted dilution by tarnishment since, according to the court, "tarnishment . . . is usually found where a distinctive mark is depicted in a context of sexual activity, obscenity, or illegal activity."²⁵⁰ Nevertheless, the Second Circuit held that "the blurring/tarnishment dichotomy does not necessarily represent the full range of uses that can dilute a mark under New York law."²⁵¹

243. *Id.*

244. *Id.*

245. *Id.*

246. *See Deere & Co. v. MTD Prods., Inc.*, 860 F. Supp. 113, 118, 119-21 (S.D.N.Y. 1994).

247. *Id.* at 123 (Supplemental Findings of Fact, Conclusions of Law and Order).

248. *Deere & Co.*, 41 F.3d at 44-45.

249. *Id.* at 44.

250. *Id.*

251. *Id.*

According to the Second Circuit, the defendant's use of Deere's logo fell within the proscribed range since it altered a well-known mark solely to promote a competing product rather than to make a satiric or social comment for its own sake.²⁵² In so doing, the defendant risked "the possibility that consumers will come to attribute unfavorable characteristics to a mark and ultimately associate the mark with inferior goods and services."²⁵³

In *Deere*, however, the Second Circuit was careful to delineate the areas in which a seller may lawfully use or refer to the mark of another. The court noted that a seller of commercial products may use a competitor's mark to identify the competitor's product in a comparative advertisement, provided "the mark is not altered, such use serves the beneficial purpose of imparting factual information about the relative merits of competing products and poses no risk of diluting the selling power of the competitor's mark."²⁵⁴ In addition, a satirist may lawfully utilize another's mark in parody "to make a point of social commentary," as long as the satirist is only selling the publication that contains the parody and not another product.²⁵⁵ The court further stated that although a commercial product seller, which alters another's mark, risks running afoul of New York's anti-dilution statute regardless of whether the product is competitive or not, greater "leeway for alterations is appropriate in the context of satiric expression and humorous ads for noncompeting products."²⁵⁶ The court stressed, however, that as in the case at bar, dilution "is more likely to be found when the alterations are made by a competitor with both an incentive to diminish the favorable attributes of the mark and an ample opportunity to promote its products in ways that make no significant alteration."²⁵⁷

Consequently, after *Deere*, a commercial product seller, who wishes to alter a competitor's mark in an advertisement to make a humorous point runs the risk of violating New York's anti-dilution

252. *Id.* at 44-45.

253. *Id.* at 45.

254. *Id.* at 44.

255. *Id.*

256. *Id.* at 45.

257. *Id.*

statute. As one commentator has noted, it is questionable whether the Second Circuit had to create a new dilution category to render actionable the humorous use of another's mark to promote one's own competing product, because the "tarnishment" doctrine seems broad enough to encompass such a use.²⁵⁸ Regardless of whether *Deere* is correctly viewed as having created a new dilution category, the case illustrates the growing strength of state dilution law. It also raises potential concerns under the First Amendment, which protects both commercial and non-commercial expression to varying degrees.²⁵⁹

III. RECENT INITIATIVES TO ENACT A DILUTION PROVISION

In 1988, the USTA proposed an amendment of the Lanham Act so as to provide a federal cause of action for either dilution by blurring or by tarnishment.²⁶⁰ The dilution by blurring provision, if enacted, would have created a new § 43(c) that "protects federally-registered marks that are truly famous from uses that trade upon their goodwill and exceptional renown and dilute their distinctive quality."²⁶¹

258. See Howard J. Shire, "Lawn Tractor Manufacturer Pays Dearly for Trademark Dilution: '*Deere v. MTD*' Greatly Expands Protection Provided by Statute," N.Y. L.J., Apr. 3, 1995, at S7.

259. See *infra* part IV.D (discussing First Amendment concerns).

260. See USTA Statement, *supra* note 5, at 404.

261. *Id.* Section 43(c) would have provided:

(c)(1) The owner of a famous mark registered under the Act . . . or on the principal register . . . shall be entitled, subject to the principles of equity, taking into account, among other things, the good faith use of an individual's name or an indication of geographic origin, to an injunction against another person's use in commerce of a mark, commencing after the registrant's mark becomes famous, which causes dilution of the distinctive quality of the registrant's mark, and to obtain such other relief as is provided in this subsection. In determining whether a mark is famous and has distinctive quality, a court shall weigh the following and other relevant factors:

(A) whether the mark is inherently distinctive or has become distinctive through substantially exclusive and continuous use;

(B) whether the duration and extent of use of the mark are substantial;

(C) whether the duration and extent of advertising and publicity of the mark are substantial;

The USTA proffered two primary reasons for urging adoption of a federal dilution provision: "because the absence of dilution protection creates a serious gap in the protection federal law provides trademarks and because it offers an important new incentive encouraging greater use of the federal registration system."²⁶²

Regarding the first purpose, the accompanying report of the sponsoring Senate bill explained that, although numerous states had dilution statutes, the court decisions interpreting these statutes were inconsistent. This "inconsistency, combined with the number of States that do not have dilution laws, create a patchwork-type of protection."²⁶³ The USTA-proposed provision was designed to remedy this problem by providing "consistent national protection for the tremendous value of famous marks."²⁶⁴ The Senate Report further noted that passage of a federal dilution provision would help the United States in its General Agreement on Tariffs and Trade ("GATT") negotiations concerning the foreign protection of U.S. trademarks abroad.²⁶⁵ Since other countries already possess dilution protection, the federal dilution provision "would show that

(D) whether the geographical extent of the trading area in which the mark is used is substantial;

(E) whether the mark has substantial renown in its and the other person's trading area and channels of trade; and

(F) whether the same or similar marks are being used substantially by third parties.

(2) The registrant shall be entitled only to injunctive relief in an action brought under this subsection, unless the subsequent user willfully intended to trade on the registrant's reputation or to cause dilution of the registrant's mark. If such willful intent is proven, the registrant shall also be entitled to the remedies set forth in §§ 35(a) and 36 hereof, subject to the discretion of the courts and the principles of equity.

(3) Ownership of a valid registration under the Act . . . or on the principal register . . . shall be a complete bar to an action brought by another person, under the common law or statute of a State, seeking to prevent dilution of the distinctiveness of a mark, label, or form of advertisement.

S. REP. NO. 100-515, 100th Cong., 2d Sess. 19 (1988) (quoting S. 1883, 100th Cong., 2d Sess. 38 (1988)), *reprinted in* MCCARTHY, *supra* note 1, Appendix A5-21.

262. USTA Statement, *supra* note 5, at 404.

263. S. REP. NO. 515, *supra* note 261, at 7, *reprinted in* MCCARTHY, *supra* note 1, Appendix A5-9.

264. *Id.*

265. *Id.* at 7, *reprinted in* MCCARTHY, *supra* note 1, Appendix A5-9-10.

the United States is not asking other countries to give better protection than it is willing to give"²⁶⁶

The proposed amendment would have made federal registration a defense to a state dilution action.²⁶⁷ According to the USTA, this provision would further the second objective by giving "greater certainty to a federal registrant of its right to use the mark in commerce, without the possibility of attack based on a state claim."²⁶⁸

The legislative history makes clear that the proposed amendment was designed to provide a limited cause of action for dilution by blurring in a narrow class of famous marks.²⁶⁹ The factors specifically enumerated in the provision, which determine whether a mark possesses the threshold level of fame, mirror the factors previously enunciated by the courts in such decisions as *Hyatt Corp.* and *Ringling Bros.*,²⁷⁰ and are consistent with the analysis proffered by the Second Circuit in *Mead Data*.²⁷¹

The legislative history further reveals that the proposed federal dilution by blurring provision was not intended to preempt state dilution law.²⁷² Like the original Lanham Act, the provision was only designed to provide a nationwide minimum level of dilution protection.²⁷³ Therefore, states would still be free to increase dilution protection in their jurisdictions.

As originally proposed, the Senate bill would have amended § 45 of the Act to define dilution as "the lessening of the distinctive quality of a famous mark through use of the mark by another person, regardless of the presence or absence of (1) competition be-

266. *Id.*, reprinted in MCCARTHY, *supra* note 1, Appendix A5-9 (alteration in original) (quoting statement of Donald J. Quigg, Assistant Secretary and Commissioner of Patents and Trademarks, March 15, 1988).

267. See USTA Statement, *supra* note 5, at 407.

268. *Id.*

269. See S. REP. NO. 515, *supra* note 261, at 7, reprinted in MCCARTHY, *supra* note 1, Appendix A5-9.

270. *Hyatt Corp.*, 736 F.2d at 1157-58; *Ringling Bros.*, 855 F.2d at 482-83; see also *supra* part II.

271. See *Mead Data Cent.*, 875 F.2d at 1030-32.

272. See S. REP. NO. 515, *supra* note 261, at 7, reprinted in MCCARTHY, *supra* note 1, Appendix A5-9.

273. *Id.*

tween the users of the mark, or (2) likelihood of confusion, mistake, or deception arising from that use.”²⁷⁴ A later version of the bill substituted “lessening” with “material reduction” in order to clarify that the level of harm necessary to render a federal dilution claim actionable is a material reduction in the distinctiveness of a famous mark.²⁷⁵ The legislative history, however, is unclear concerning the applicability of the dilution provision to suits between competitors as well as non-competitors. Given the “regardless of the presence or absence of competition”²⁷⁶ language, it is highly probable that a court would interpret the provision as applying to suits between competitors.²⁷⁷

Finally, the USTA proposed “dilution by blurring” provision would have provided only injunctive relief for the majority of cases.²⁷⁸ However, unlike the current state doctrine, a plaintiff could seek money damages under the Act for dilution by blurring upon proof of willful intent.²⁷⁹ Therefore, the existence of predatory intent would certainly be relevant for a determination of remedies. Since the statute and legislative history are silent concerning the relevance or necessity of predatory intent with respect to determining the substantive issue, likelihood of dilution, the circuits would no doubt be free to adopt their current practices concerning evaluating predatory intent, or the absence thereof.

The USTA also proposed the amendment of § 43(a) to create a separate ground for relief for trademark tarnishment and disparagement.²⁸⁰ This amendment would have created a new § 43(a)(3), providing a civil cause of action, together with any remedies currently available, for conduct that “is likely to disparage or tarnish the mark of another.”²⁸¹

274. See USTA Statement, *supra* note 5, at 406.

275. S. REP. NO. 515, *supra* note 261, reprinted in MCCARTHY, *supra* note 1, Appendix A5-24 (quoting S. 1883 § 38).

276. *Id.*

277. See, e.g., *Nikon Inc.*, 987 F.2d at 96.

278. S. REP. NO. 515, *supra* note 261, reprinted in MCCARTHY, *supra* note 1, Appendix A5-24 (quoting S. 1883 § 36).

279. *Id.*; see also USTA Statement, *supra* note 5, at 407.

280. USTA Review Commission Report § 6 (1988).

281. *Id.*

According to the USTA, the tarnishment provision was intended "to deal with trademark uses which reach beyond parody and humor, to acts of ridicule and insult that can be highly detrimental to a trademark owner's goodwill and reputation and can cause the loss of consumer loyalty and trade."²⁸² The USTA further noted that dilution and trademark infringement also constituted possible avenues for bringing a tarnishment claim. However, the USTA chose to put the tarnishment provision in a different section than dilution by blurring because of concerns that dilution by blurring and tarnishment sometimes do not fit conceptually.²⁸³ In so doing, the USTA apparently intended to make available both money damages and injunctive relief for a tarnishment plaintiff, since both are currently available under § 43(a).²⁸⁴

The USTA also recognized that its tarnishment provision could raise First Amendment concerns. However, because "tarnishment and disparagement of marks are real injuries," the USTA concluded that its tarnishment provision was necessary to enable courts to provide appropriate relief for such injuries.²⁸⁵ In response, several media organizations and advertising groups voiced First Amendment objections to both the tarnishment and dilution by blurring provisions.²⁸⁶ Based upon these objections, the House bill did not include either provision.²⁸⁷ Subsequently, while the bills were in conference committee, a stalemate ensued. In order to get the bill out of committee and salvage the rest of the bill, the conference leaders agreed to delete both provisions.²⁸⁸ Thus, neither federal provision became subject to public debate before Congress.

In March, 1995, Rep. Carlos Moorhead (R-Calif.) introduced the Federal Trademark Dilution Act of 1995 ("FTDA") before the House of Representatives.²⁸⁹ Backed strongly by the INTA, the

282. USTA Statement, *supra* note 5, at 404.

283. *Id.*

284. See 15 U.S.C. §§ 1116-1117 (1994).

285. USTA Statement, *supra* note 5, at 404.

286. See H.R. REP. NO. 1028, 100th Cong., 2d Sess. 5-7 (1988).

287. See *id.*

288. See Gilson, *supra* note 16, at 115.

289. See 141 Cong. Rec. H3572 (March 22, 1995) (statement of Rep. Moorhead).

American Bar Association, and the U.S. Patent and Trademark Office,²⁹⁰ as well as the recipient of bipartisan support,²⁹¹ this federal dilution proposal met with success. The House passed the FTDA on December 12, 1995,²⁹² and the Senate concurred by passing it on December 29, 1995.²⁹³ On January 16, 1996, President Clinton signed the FTDA into law.²⁹⁴

The FTDA is substantially similar to the USTA's previously proposed federal dilution statute. Like its predecessor, the FTDA's purpose "is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion."²⁹⁵ It attempts to accomplish this purpose by adding to the Lanham Act a new § 43(c), which renders actionable the unauthorized commercial use of a famous mark that "causes dilution of the distinctive quality of the mark."²⁹⁶ Similar to an earlier version of the 1988 proposed federal dilution provision, the FTDA defines dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of; (1) competition between the owner of the famous mark and other parties, or (2)

290. See 141 Cong. Rec. H14317 (December 12, 1995) (remarks of Rep. Moorhead prior to House vote on H.R. 1295).

291. See, e.g., *id.* (statement of Rep. Schroeder, D-CO, in support of H.R. 1295); 141 Cong. Rec. S19312 (December 29, 1995) (statement of Sen. Leahy, D-VT, in support of H.R. 1295).

292. 141 Cong. Rec. H14317 (December 12, 1995), available in LEXIS 1995 Bill Tracking H.R. 1295.

293. 141 Cong. Rec. S19312 (December 29, 1995), available in LEXIS 1995 Bill Tracking H.R. 1295.

294. Pub. L. 104-98, 109 Stat. 985 (January 16, 1996), available in WESTLAW 1995 US H.B. 1295.

295. H.R. REP. NO. 104-374, 104th Cong., 1st Sess. 2 (November 30, 1995); 141 Cong. Rec. H14317 (December 12, 1995) (statement of Rep. Moorhead).

296. Pub. L. No. 104-98, § 3(a) (1996). As amended, § 43 of the Lanham Act (to be codified at 15 U.S.C. § 1125) now provides in relevant part:

(c)(1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection.

likelihood of confusion, mistake, or deception.”²⁹⁷ Although this definition is strikingly similar to the “dilution by blurring” definition contained in the 1988 proposed federal dilution provision, the FTDA’s legislative history makes clear that the Act protects against both dilution by blurring and tarnishment.²⁹⁸ This history further reveals that the FTDA’s drafters clearly intended its scope to protect against dilution caused by the unauthorized use of a famous mark on competitive as well as non-competitive goods.²⁹⁹

The FTDA evinces many other similarities with the 1988 proposed federal dilution provision. For example, it enumerates several factors determinative of whether a mark is “distinctive and famous,” which are substantially similar to those listed in the USTA-sponsored bill.³⁰⁰ The FTDA also similarly limits a claimant’s

297. Pub. L. No. 109-98, § 4 (1996) (to be codified at 15 U.S.C. § 1127).

298. *See, e.g.*, 141 Cong. Rec. H14317 (December 12, 1995) (remarks of Rep. Moorhead following the reading of H.R. 1295 into the record). Interestingly, unlike the 1988 federal dilution proposal, the FTDA lacks a separate “dilution by tarnishment” provision, suggesting that its drafters intended its definition of dilution to encompass “dilution by tarnishment” as well as “dilution by blurring.”

299. *See* H.R. REP. NO. 104-374, 104th Cong., 1st Sess. 8 (November 30, 1995) (analyzing H.R. 1295, § 4).

300. *Compare* S. 1883 § 43(c)(1) (listing factors) with Pub. L. No. 104-98, § 3(a) (to be codified at 15 U.S.C. § 1125) (listing similar factors). The Federal Trademark Dilution Act of 1995 amends § 43 of the Lanham Act to provide in relevant part:

(c)(1) . . . In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to-

- (A) the degree of inherent or acquired distinctiveness of the mark;
- (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
- (C) the duration and extent of advertising and publicity of the mark;
- (D) the geographical extent of the trading area in which the mark is used;
- (E) the channels of trade for the goods or services with which the mark is used;
- (F) the degree of recognition of the mark in the trading areas and channels of trade used by the mark’s owner and the person against whom the injunction is sought;
- (G) the nature and extent of use of the same or similar marks by third parties; and
- (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

Pub. L. No. 109-98, § 3 (1996) (to be codified at 15 U.S.C. §1125(c)(1)). Except for the

remedies to injunctive relief "unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark."³⁰¹ Furthermore, the FTDA also makes federal trademark registration a "complete bar" to a state dilution action.³⁰² Even the justifications for enactment of the FTDA echo those voiced in support of the 1988 federal dilution provision.³⁰³ Finally, like the earlier dilution proposal, the FTDA is not intended to preempt state dilution law.³⁰⁴

The FTDA's one notable improvement over the earlier federal dilution proposal is its attempt to address First Amendment concerns raised by critics of the dilution doctrine.³⁰⁵ The Act precludes a federal dilution cause of action against the "[f]air use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark."³⁰⁶ It also renders non-actionable the noncommercial use of a mark³⁰⁷ as well as its use in news reporting and commentary.³⁰⁸

IV. ASSESSING THE DILUTION DOCTRINE

The dilution doctrine is a controversial topic that has split commentators and practitioners into opposing camps. On the one hand, there are those, like Callman and Pattishall, who support adoption

addition of (E) and (F), the FTDA's list of relevant factors is virtually identical to those posited in the 1988 federal dilution proposal. *See supra* note 261.

301. Pub. L. No. 104-98, § 3(a) (to be codified at 15 U.S.C. § 1125(c)(2)).

302. *Id.*

303. *See, e.g.*, 141 Cong. Rec. S19310 (December 12, 1995) (statement of Sen. Hatch) (arguing that passage of S. 1513 the Senate companion bill to H.R. 1295, is necessary both to remedy the "patchwork system of protection" afforded by state dilution laws; and to render the scope of federal trademark protection in the United States consistent with that provided under the GATT); *see also* S. REP. NO. 515, *supra* note 261, at 7.

304. H.R. REP. NO. 374, *supra* note 299, at 8; 141 Cong. Rec. S19310 (analyzing § 3 of S. 1513, the Senate's companion bill to H.R. 1295.)

305. *See, e.g.*, 141 Cong. Rec. H14317 (December 12, 1995) (statement of Rep. Moorhead).

306. Pub. L. No. 104-98, § 3(a) (to be codified at 15 U.S.C. § 1125(c)(4)(A)).

307. Pub. L. No. 104-98, § 3(a) (to be codified at 15 U.S.C. § 1125(c)(4)(B)).

308. Pub. L. No. 104-98, § 3(a) (to be codified at 15 U.S.C. § 1125(c)(4)(C)).

of an extremely broad dilution doctrine that seems to have no bounds.³⁰⁹ At the other extreme is Milton W. Handler, who would like to see the entire dilution doctrine abolished since he believes it conflicts with the Lanham Act.³¹⁰ Both of these positions, however, suffer from fundamental weaknesses. The more reasonable stance stems from the center and is articulated by Gilson and McCarthy, both of whom favor a limited federal dilution statute.³¹¹ Yet, even these commentators seem to have overlooked certain problems raised by the newly enacted federal dilution statute.

While there are numerous criticisms one could make about the dilution doctrine, the most important ones are: (1) the dilution doctrine is too ephemeral, does not address a real injury, and is incapable of empirical proof;³¹² (2) the dilution doctrine is unnecessary given the development of the "related goods" doctrine under traditional trademark infringement law;³¹³ (3) the dilution theory is inequalitarian because it only protects strong marks;³¹⁴ (4) the dilution doctrine poses serious First Amendment problems particularly in the tarnishment area;³¹⁵ and (5) the dilution doctrine would lead to an undesired monopolization of language.³¹⁶

A. Ephemeral Concerns

Some critics of the dilution doctrine have stressed the seemingly "ephemeral" nature of the dilution injury and questioned whether the injury really exists at all.³¹⁷ According to this criticism, while the dilution doctrine may be rich in metaphors, it is lacking in

309. See, e.g., CALLMAN, *supra* note 54, § 21.11; Pattishall, *supra* note 7, at 308-10.

310. See Handler, *supra* note 26, at 283-87.

311. See Gilson, *supra* note 16, at 108-09; MCCARTHY, *supra* note 1, § 24.19.

312. See, e.g., Jonathan E. Moskin, *Dilution or Delusion: The Rational Limits of Trademark Protection*, 83 TRADEMARK REP. 122, 130-33 (1993) (describing dilution as a "phenomenon that cannot be seen, measured or otherwise perceived or detected and that, for sixty-five years, has proven wholly resistant to analysis"); Welkowitz, *supra* note 58, at 531, 538-39, 542-43.

313. See Moskin, *supra* note 312, at 144-45; Welkowitz, *supra* note 58, at 583.

314. See CALLMAN, *supra* note 54, § 21.11 (arguing for a more expansive interpretation of the scope of dilution law).

315. See Welkowitz, *supra* note 58, at 565-67; see also Marla J. Kaplan, *Antidilution Statutes and the First Amendment*, 21 SW. U. L. REV. 1139 (1992).

316. See Handler, *supra* note 26, at 278-79.

317. See Moskin, *supra* note 312, at 130-33; Welkowitz, *supra* note 58, at 538-39, 542-43.

empirical support, and may not be susceptible to empirical proof at all. In a nutshell, these critics argue, if an unauthorized junior use on a non-competing product is not likely to produce confusion as to source, sponsorship, or approval, then the senior mark holder will not incur any injury.³¹⁸

This criticism is flawed for two related reasons. First, it assumes that all purchaser confusion is conscious. However, the power of an effective trademark is that it connotes both conscious and unconscious associations.³¹⁹ Some courts have recognized this fact in the traditional trademark infringement context and termed the confusion created by the unconscious associations generated by an unauthorized junior use of a senior holder's mark "subliminal confusion."³²⁰ This term describes confusion concerning the quality of the junior user's goods, not the source, sponsorship, or approval of the goods.³²¹ In cases involving subliminal confusion, the junior user seeks to enter the same market as the senior holder and to compete against the senior holder while spending less on its advertising expenses. By adopting a mark that is similar—albeit not identical—to the senior holder, the junior user attempts to generate unconscious associations concerning the quality of his goods.³²² The junior user also intends that the potential consumer who perceives the mark will unconsciously imbue his mark with the positive associations generated by the senior holder's mark and conclude that the junior user's goods must be of the same quality as the senior mark holder's goods. In short, the junior user is attempting to take a free ride on the selling power, or "commercial magnetism," of the senior holder's mark in order to become competitive.³²³

318. See generally Moskin, *supra* note 312; Welkowitz, *supra* note 58.

319. See, e.g., *Playboy Enterprises, Inc. v. Chuckleberry Publishing, Inc.*, 486 F. Supp. 414, 428 (S.D.N.Y. 1980), *aff'd*, 687 F.2d 563, 567-68 (2d Cir. 1982).

320. *Id.* at 428.

321. *Playboy Enterprises*, 687 F.2d at 567-68.

322. *Playboy Enterprises*, 486 F. Supp. at 428-29.

323. See Steven H. Hartman, *Subliminal Confusion: The Misappropriation of Advertising Value*, 78 TRADEMARK REP. 506, 508 (1988). While Hartman approves of the judicial development of the "subliminal confusion" doctrine, he indicates that it is distinct from the dilution phenomenon. *Id.* at 507-08. This Article suggests that an analogous

For example, in *Playboy Enterprises, Inc. v. Chuckleberry Publishing, Inc.*,³²⁴ the publisher of Playboy magazine sought to prevent the further distribution of a similar magazine entitled "Playmen." The Southern District of New York found that a likelihood of confusion existed, stating that such confusion was the likely result of the "defendants' ability to gain a foothold in plaintiff's market by exploiting subliminal or conscious association with plaintiff's well-known name."³²⁵

Similarly, in *Grotrian, Helfferich, Schultz, Th. Steinweg Nachf. v. Steinway & Sons*,³²⁶ the famous piano manufacturer sought injunctive relief under the Lanham Act to prevent a competitor from using the mark "Grotrian-Steinweg" on the defendant's pianos.³²⁷ Finding that likelihood of confusion existed, the Second Circuit explained:

It is the subliminal confusion apparent in the record as to the relationship, past and present, between the corporate entities and the products that can transcend the competence of even the most sophisticated consumer.

Misled into an initial interest, a potential Steinway buyer may satisfy himself that the less expensive Grotrian-Steinweg is at least as good, if not better, than a Steinway The issue here is not the possibility that a purchaser would buy a Grotrian-Steinweg thinking it was actually a Steinway or that Grotrian had some connection with Steinway and Sons. The harm to Steinway, rather, is the likelihood that a consumer, hearing the "Grotrian-Steinweg" name and thinking it had some connection with "Steinway," would consider it on that basis. The "Grotrian-Steinweg" name therefore would attract potential customers based on the reputation built up by Steinway in this country for many

process is at work in the dilution area as well.

324. 486 F. Supp. 414 (S.D.N.Y. 1980), *aff'd*, 687 F.2d 563 (2d Cir. 1982).

325. *Id.* at 428.

326. 523 F.2d 1331 (2d Cir. 1975).

327. *Id.* at 1334-36.

years³²⁸

Although the above-mentioned cases involved competing goods, the “subliminal confusion” rationale appears equally applicable to cases involving non-competing goods. In fact, “subliminal confusion” is the best theory to describe the phenomenon that the dilution doctrine seeks to address. This phenomenon requires an extremely strong mark, which will invite unauthorized uses to conjure up unconscious associations of quality and reliability. However, these associations properly refer to—and belong only—to the senior mark holder and its business. Although a potential customer may not be consciously confused when seeing the senior holder’s mark on a very different, non-competing product, the customer may be induced to purchase the junior user’s goods due to of the unconscious associations of quality triggered by the same or substantially similar mark.

For example, if unrelated companies were allowed to use the mark “Sony” on candy bars, deodorant, liquid detergent, drain cleaner, or soda, a potential consumer may not be confused concerning the source, sponsorship or approval of the goods in question. Customers may in fact consciously think that, since the goods are so different, there can be no connection between the consumer electronics company and the item in question. On the other hand, customers may be initially attracted to the item and in fact be induced to purchase the item because of the use of the “Sony” mark. He could very well think, consciously or not, that if the company chose the “Sony” name to represent its goods, they must be of superior quality.

If the goods failed to live up to the purchaser’s expectations of superior quality only once, there probably would not be any detrimental effect to the senior mark holder. But a consumer might continue trying different products bearing the “Sony” name primarily because of an initial attraction by the positive associations of quality conjured up by the name. In each such case the consumer could well believe that because the goods are so different from

328. *Id.* at 1341-42 (quoting 365 F. Supp. 707, 717 (S.D.N.Y. 1973)).

consumer electronics products, it is unlikely that Sony produced, sponsored or approved the goods in question. If the consumer continues to experience disappointment and anger because of inferior quality, in time the name "Sony" on any product may conjure up, for this individual, negative associations as well as positive ones. Indeed, the negative ones could well eclipse the positive ones, resulting in real injury to the senior mark holder.

This leads to the second, related flaw of this criticism. The "ephemeral" criticism assumes that consumers are rational creatures who make purchasing decisions primarily, if not exclusively, on the basis of logic. This, however, is far from true. Purchasers make decisions based on a complex number of factors, some rational, some emotional, some conscious, and some unconscious.³²⁹ Sometimes, the emotional, unconscious associations triggered by a mark can dwarf the rational considerations.³³⁰ Witness, for example, the phenomenon of brand loyalty.³³¹ If a consumer continues to have negative experiences with non-competing goods bearing the senior holder's mark, it is plausible that the negative associations, conscious or unconscious, which the mark now triggers with residual positive ones, could well preclude the consumer from purchasing a consumer electronics product from Sony. When getting ready to make a purchase, the frustrated consumer could well think, "I am sick of being disappointed by products bearing the mark 'Sony.'" Thus, he may forego an opportunity to purchase a high quality Sony television or stereo, despite the fact that the consumer knows Sony did not make or sponsor the disparate, inferior goods.

There is a phenomenon in psychology known as "transference,"³³² which explains the development of a dilution-caused inju-

329. See, e.g., *Playboy Enterprises*, 486 F. Supp. at 428 ("advertising and trademarks rely on impressions" to conjure up "vague" or "subliminal" feelings in order to induce a consumer to purchase a particular article (quoting *Londontown Mfg. Co. v. Cable Raincoat Co.*, 371 F. Supp. 1114, 1118 (S.D.N.Y. 1974))).

330. See *id.*

331. See Moskin, *supra* note 312, at 134-36.

332. See, e.g., WEBSTER'S NINTH NEW COLLEGIATE DICTIONARY 1253 (Merriam-Webster, Inc. 1990), which defines "transference" as "the redirection of feelings and desires and especially of those unconsciously retained . . . toward a new object"

ry. "Transference" occurs when some person or event triggers unconscious, negative associations in an individual, stemming from a completely unrelated person or event.³³³ The individual, unknowingly, transfers these negative emotions and thoughts to the innocent party, causing the individual to react to the innocent party as if the innocent party had actually produced the negative associations.³³⁴ This transference process is irrational and unconscious, but nonetheless real.³³⁵

Such a process may well explain how dilution can result in a real injury to the senior mark holder. The "subliminal confusion-transference" phenomenon also illustrates that, although capable of logical distinction, the "dilution by blurring" theory is in actuality intertwined with the "dilution by tarnishment" doctrine. In each situation, the senior mark holder fears that his inability to prevent the unauthorized use of its mark on non-competing goods, without any sort of licensing control, will result in its mark being associated with inferior goods; or at least with goods that are incompatible and conflict with the image that the senior holder has attempted to convey through its mark. Such unauthorized use could produce a result analogous to that caused by naked licensing—the diminution in the selling power or "commercial magnetism" of its mark.

The question thus remains whether this "subliminal confusion-transference phenomenon" is susceptible to empirical proof. Unfortunately, there is a dearth of empirically oriented research in the dilution area.³³⁶ However, some empirical research in the marketing strategy area suggests that the consumer's mind irrationally retains unpleasant associations with a product, despite the knowledge that the associations are unjustified. For example, one study indicated that "efforts to directly refute a false rumor (e.g., that McDonald's uses worms in its hamburger meat) may only cause

333. For a psychoanalytic explanation of the "transference" phenomenon, see SIGMUND FREUD, *BEYOND THE PLEASURE PRINCIPLE* 38-40 (8th ed. 1967).

334. *See id.*

335. *Id.*

336. *But see* Alexander F. Simonson, *How and When Do Trademarks Dilute: A Behavioral Framework to Judge 'Likelihood' of Dilution*, 83 TRADEMARK REP. 149 (1993).

the mind to more deeply encode the damaging information.”³³⁷ Similarly, another study demonstrated that the greater the number of associations triggered by a word, the more difficult it becomes for an individual to conjure up the word at a later time.³³⁸

These findings provide direct support for the dilution theory. Although a consumer may know that the senior holder neither produced, sponsored or approved of the inferior product that created the negative associations, the consumer may still irrationally seek to disassociate oneself from any item bearing the mark, including the senior holder's products. The multiple use of a senior holder's mark on non-competing, incompatible goods could conjure up negative associations if the goods are of inferior quality; or such use could trigger a negative response that the mark has become commonplace, and no longer designates an item of particular style or quality.³³⁹ In either situation, the negative associations triggered by the unauthorized use conflicts with the positive associations intended by the senior holder's use. Moreover, the knowledge that the senior holder did not produce, sponsor or approve of the inferior or incompatible, commonplace items may not prevent the consumer from transferring these negative associations to the senior holder's mark.

These empirical findings may encourage trademark practitioners to attempt empirical proof of dilution. Eventually, as courts elaborate upon the evidentiary factors necessary to prove likelihood of dilution, as the Second Circuit did in *Mead*, the use of survey evidence could become more frequent.³⁴⁰ For example, it seems possi-

337. See Moskin, *supra* note 312, at 147 n.108 (citing A. Tybout et al., Using Information Processing Theory to Design Marketing Strategies, 18 J. MARKETING RES. 79 (1981)).

338. See *id.* at 136 n.53 (citing J. Meyers-Levy, *The Influence of a Brand Name's Association Set Size and Word Frequency on Brand Memory*, 16 J. CONSUMER RES. 197 (1989)).

339. For an example of the latter, see *Steinway & Sons v. Robert Demars & Friends*, 210 U.S.P.Q. (BNA) 954 (C.D. Cal. 1981) (use of piano manufacturer's famous mark on defendant's "beer mug" holders constituted both trademark infringement and dilution).

340. For the most part, Judge Sweet's factors are helpful for determining likelihood of dilution. See *Mead Data Cent.*, 875 F.2d at 1035 (Sweet, J. concurring). However, one of the factors, "similarity of the products," does not make much sense in the dilution

ble to create a survey attempting to verify a potential dilution effect by an unauthorized junior use. In such a survey, a prospective consumer would be shown a famous mark, such as "Sony." The surveyor would then show the consumer a list of items on non-competing products bearing the same or substantially similar mark. The survey's next question would ask the consumer if the junior use reminded him of any company. If the consumer answered "Sony," then the survey would inquire whether the consumer believed that Sony produced, sponsored, or approved of the products in question. If the consumer answered "yes," then the survey would continue with a series of questions confirming a "likelihood of confusion" finding. If the consumer answered "no," then the survey would continue with a list of questions to test whether the junior uses would result in dilution. The survey would present various hypotheticals involving the use of non-competing goods bearing the "Sony" mark and questions inquiring whether the consumer would be more likely to buy such goods bearing the Sony name. If so, the survey would require the assumption that the consumer has purchased the goods, and has found that the goods are either of inferior quality or were commonplace items. The survey would then ask the consumer what thoughts or emotions were triggered upon seeing the Sony name? If the consumer responded in a negative manner, then assuming the survey was properly drafted and conducted, such evidence should be admissible to prove a likelihood of dilution.

Thus, the criticism that the dilution doctrine is too ephemeral, does not address a real injury, and is incapable of empirical proof is not valid. Instead, dilution appears to be a real phenomenon susceptible to scientific inquiry. In an age of intense competition, the blurring or besmirching of the distinctiveness of a mark could well result eventually in lost sales. Consequently, injunctive relief should at least be available to combat this phenomenon.

context since the primary reason for adopting the dilution doctrine is to extend protection to noncompetitive goods. Thus, courts should discard this factor and, instead, substitute more relevant ones, such as evidence of other similar, unauthorized uses, as existed in the *American Express* case. See *American Express Co.*, 10 U.S.P.Q.2d at 2013.

B. Redundancy Concerns

Perhaps the most potent criticism of the dilution doctrine is that it is not necessary.³⁴¹ As discussed above, the dilution theory first evolved at a time when trademark protection to shield a mark from its unauthorized use on non-competing goods was unavailable.³⁴² With the rise of the related goods doctrine under the Lanham Act,³⁴³ this is no longer the case.³⁴⁴ Rather than having to prove confusion as to source, a plaintiff may now prove likelihood of confusion as to sponsorship or approval. In addition, courts have stretched the confusion concept under the Lanham Act to encompass reverse confusion,³⁴⁵ post-sale confusion,³⁴⁶ and subliminal confusion.³⁴⁷ Therefore, in the large majority of cases, a dilution count is redundant.³⁴⁸

The rise of the related goods doctrine has diminished the need for a federal dilution statute. In an age of mergers, acquisitions, and rampant trademark licensing, it is easier to prove a likelihood of confusion regarding source, sponsorship, or approval than in Schechter's day. However, because of the vast difference in product type, marketing channels, and customer base, and due to an inability to bridge the gap, a plaintiff may still be unable to prove the requisite likelihood of confusion under a traditional trademark

341. See Welkowitz, *supra* note 58, at 545, 548-50.

342. See Schechter, *supra* note 26, at 825; see also *supra* part I.

343. 15 U.S.C. §§ 1114(1), 1125(a) (1994).

344. See MCCARTHY, *supra* note 1, § 24.19.

345. See *Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 561 F.2d 1365 (10th Cir. 1977), *cert. dismissed*, 434 U.S. 1052 (1978). In the typical trademark infringement suit, the trademark owner seeks to prevent a subsequent, "junior" user of the same or similar mark from trading on the goodwill associated with the senior user's mark and causing consumers to mistake the defendant's products as emanating from the plaintiff. *Id.* In a "reverse confusion" case, the subsequent user of the mark is in actuality more well known than the senior mark holder. Therefore, in such a case, the plaintiff is seeking to prevent consumers from mistakenly believing that the plaintiff's products derive from the defendant. *Id.*

346. See *Payless Shoesource, Inc. v. Reebok Int'l Ltd.*, 998 F.2d 985, 989 (Fed. Cir. 1993). "Post-sale" confusion refers to the confusion experienced by a consumer other than the direct purchaser of an item upon seeing an allegedly infringing mark on the item. *Id.* The potential consumer may see the item being carried or worn by the direct purchaser subsequent to the sale of the item. *Id.*

347. See *Playboy*, 486 F. Supp. at 428.

348. See Welkowitz, *supra* note 58, at 548-50.

infringement claim.³⁴⁹ In addition, thus far the subliminal confusion theory has only been applied to trademark infringement suits between competitors. Consequently, in suits between non-competitors, a plaintiff ought to be able to assert a dilution claim in addition to any other relevant claim.

In suits between competitors, however, the redundancy criticism is well taken. In the vast majority of cases involving competitors, if an unauthorized use is likely to dilute, it will also be likely to confuse regarding source, sponsorship or approval.³⁵⁰ Accordingly, a competitor in a trademark dilution action should only be allowed to prevail in exceptional circumstances. The most compelling circumstance would be to prevent the genericization of a mark, as the court recognized in *Sykes Laboratory, Inc. v. Calvin*.³⁵¹ However, because *Sykes* raises some comparative advertising and First Amendment concerns, a plaintiff should be required to meet a rigorous standard of proof in the "dilution by genericization" situation. As the *Sykes* court noted, the defendant was legally able to label and advertise its product as being like or even better than the plaintiff's product.³⁵² One could rationally argue that labeling the defendant's product as the "Generic Brand" Version of *Sykes*' "Perfect Nail" was merely a short-hand way of informing the consumer that the defendant's product is like the plaintiff's product. If this was a truthful statement, then under the law of comparative advertising, there should be no liability.³⁵³ Therefore, the only way that a plaintiff should be allowed to prevail in such a case is by proffering actual evidence that the use of a label, as opposed to an accom-

349. See, e.g., *Hyatt Corp.*, 736 F.2d at 1156-57; *American Express Co.*, 10 U.S.P.Q.2d at 2009-12.

350. See, e.g., *Academy of Motion Picture Arts and Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446, 1456-57 (9th Cir. 1991) (precluding use of Academy's "Oscar design" by unrelated corporation for statue distributed as award for corporate excellence on traditional trademark infringement and dilution grounds); *McDonald's Corp. v. McBagel's, Inc.*, 649 F. Supp. 1268, 1279-81 (S.D.N.Y. 1986) (prohibiting use of plaintiff's "Mc" family mark by defendant's bagel shop on grounds of both likelihood of confusion and dilution); see also *supra* note 78.

351. 610 F. Supp. 849, 857 (C.D. Cal. 1985).

352. *Id.* at 854-55.

353. See *Smith v. Chanel, Inc.*, 402 F.2d 562, 563 (9th Cir. 1968).

panying comparative advertising display, was causing consumers to utilize the plaintiff's mark as the name of the generic product. As the court in *Sykes* noted, however, this burden is a tough standard to meet.³⁵⁴

Similarly, because of intrinsic First Amendment concerns, a federal dilution cause of action should only allow a competitor to prevail in a "*Deere*" type case after meeting a rigorous burden of proof that the humorous alteration of the plaintiff's mark, in a comparative advertisement, was actually causing a diminution of positive associations related to the mark in the public's mind. As explained in greater detail below, it is highly questionable whether the plaintiff in *Deere* met this burden of proof.³⁵⁵

Accordingly, the drafters of the FTDA should have made abundantly clear that the statute's primary, underlying, purpose is to prevent the diminution of a mark's selling power by its unauthorized use on non-competitive goods. One way to accomplish this would have been to change the relevant language from "regardless of the presence or absence of competition" to "despite the absence of competition" or "in the absence of competition." This would have been consistent with the doctrine's origins and also would have helped prevent an unintended monopolization of language. However, the statute could have further stated that, in the interests of equity, and under highly unusual circumstances, a court could make an exception to the rule and allow a dilution claim to exist in a suit between competitors. In the statute's legislative history, the drafters should have clarified that, while this "exceptions" clause was meant to encompass the *Sykes* and *Deere* types of cases, a plaintiff could only prevail in such a case upon a showing of actual, clear and convincing evidence of dilution.

C. Inegalitarian Concerns

Some commentators have argued that the level of distinctiveness required for dilution protection should be the same as that required for traditional trademark protection.³⁵⁶ Under this expan-

354. See *Sykes*, 610 F. Supp. at 858-59.

355. See *infra* part IV.D.

356. See CALLMAN, *supra* note 54, § 21.11.

sive view, virtually every valid trademark would qualify for dilution protection, no matter how well known.

The level of distinctiveness required to trigger dilution protection is an unresolved issue among the Circuits.³⁵⁷ The majority opinion in the Second Circuit's *Mead* decision wisely held that, before dilution protection would apply, a plaintiff must prove that its mark is not only strong, but famous among the general public as well.³⁵⁸ Certainly if the defendant's market is nationwide, then the plaintiff's mark must be famous on a nationwide basis. Consequently, the fact that a plaintiff's mark is well known in a narrow product or geographic market would not be sufficient to trigger dilution protection.³⁵⁹

However, those New York district court cases that have found dilution following *Mead Data Central, Inc.* have quoted either Sweet's concurring opinion, in which he stated that strong, local marks or marks in a narrow product area could qualify for dilution protection;³⁶⁰ or else have quoted dicta in the majority opinion and misread it to mean that distinctiveness, for dilution purposes, is the same as distinctiveness for trademark infringement purposes.³⁶¹ This clearly was not the majority opinion's intent.³⁶²

The distinctiveness issue is just as muddled in other circuits. For example, the Seventh Circuit posits the requirement of a distinctive mark without elaborating on the level of distinctiveness required.³⁶³ In practice, however, it has primarily applied the doctrine only to very strong marks.³⁶⁴ The Ninth Circuit has definitively held that the dilution doctrine only applies to strong marks,³⁶⁵

357. See, e.g., *Mead Data Cent.*, 875 F.2d at 1030-31 (dilution protection afforded only to "famous" marks); *Hyatt Corp.*, 736 F.2d at 1157-58 (in a dilution action, a plaintiff must prove its mark is "distinctive"); *Accuride Int'l Inc. v. Accuride Corp.*, 871 F.2d 1531, 1539 (9th Cir. 1989) (dilution protection applies only to "strong" marks).

358. *Mead*, 875 F.2d at 1030-31.

359. *Id.*

360. See *Stern's Miracle-Gro*, 823 F. Supp. at 1090.

361. See *Kraft Gen. Foods*, 831 F. Supp. at 134.

362. See *Mead Data Cent.*, 875 F.2d at 1031.

363. See *Hyatt Corp.*, 736 F.2d at 1157.

364. See, e.g., *Ringling Bros.*, 855 F.2d at 482.

365. See *Accuride Int'l*, 871 F.2d at 1539.

but has never clarified whether this means strong, nationally famous marks or strong, locally famous marks. Other circuits have held that dilution protection extends to strong local marks as well as nationally famous marks.³⁶⁶

In order to clarify this confusion and definitively establish the threshold level of distinctiveness required to trigger dilution protection, the United States acted prudently in adopting the FTDA. The new Lanham Act provision, § 43(c)(1), is fully congruent with the majority opinion's analysis in *Mead Data Central, Inc.*. By restricting the class of plaintiffs to those possessing famous marks, which in most instances will mean nationwide fame, the statute should help ensure that the requisite mental association between the junior and senior use in the purchaser's mind exists. Hopefully, it also will keep the dilution doctrine true to its roots and prevent it from overwhelming and usurping traditional trademark doctrine.

Limiting dilution protection to famous marks comports with the rational structure of the Lanham Act and does not represent an inequalitarian deviation. The Federal Circuit has succinctly explained that, under the Lanham Act, famous marks are given greater protection than less strong marks because the former are more susceptible to exploitation by free riders:

A competitor can quickly calculate the economic advantages of selling a similar product in an established market without advertising costs. These incentives encourage competitors to snuggle as close as possible to a famous mark. This court's predecessor recognized that a mark's fame creates an incentive for competitors "to tread closely on the heels of [a] very successful trademark". . . . Recognizing the threat to famous marks from free riders, this court's predecessor allowed "competitors [to] come closer" to a weak mark A strong mark, on the other hand, casts a long shadow which competitors must avoid.

Thus, the Lanham Act's tolerance for similarity between competing marks varies inversely with the fame of the prior

366. See *Ameritech, Inc.*, 811 F.2d at 965.

mark. As a mark's fame increases, the Act's tolerance for similarities in competing marks falls.³⁶⁷

The FTDA is completely congruent with and reflects the above-mentioned, longstanding federal trademark practice.

D. *First Amendment Concerns*

By its very nature the dilution doctrine raises First Amendment concerns, because there is no "likelihood of confusion" requirement to act as a safeguard against infringement of a defendant's First Amendment right.³⁶⁸

Although trademark law primarily deals with commercial speech, under recent U.S. Supreme Court law commercial speech is nonetheless entitled to First Amendment protection.³⁶⁹ Unlike noncommercial speech, however, commercial speech receives only limited First Amendment protection.³⁷⁰ Furthermore, the U.S. Supreme Court has clearly stated that deceptive or misleading speech is not protected by the First Amendment.³⁷¹ Accordingly, under traditional trademark infringement law, if a likelihood of confusion is found, a court need not address the First Amendment question. The likelihood of confusion requirement thus acts as a brake to safeguard First Amendment rights in the commercial arena.³⁷²

Obviously, no such safeguard exists in the dilution area since likelihood of confusion is not a requirement. Therefore, some commentators have expressed grave concern about the very constitutionality of the dilution doctrine, whether state or federal.³⁷³ A state dilution claim may raise a First Amendment issue just as readily as a federal dilution claim, because the requisite state action

367. *Kenner Parker Toys, Inc. v. Rose Art Indus.*, 963 F.2d 350, 353 (Fed. Cir. 1992) (alterations in original) (citations omitted).

368. *See* Langvardt, *supra* note 24, at 649, 653-57.

369. *See* Board of Trustees of State Univ. of New York v. Fox, 492 U.S. 469, 475-81 (1989); *Central Hudson Gas & Elec. Corp. v. Public Service Comm'n*, 447 U.S. 557, 566 (1980); *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748, 771-72 (1976).

370. *See* *Central Hudson*, 447 U.S. at 562-63.

371. *See* *Virginia State Bd. of Pharmacy*, 425 U.S. at 771.

372. *See* Langvardt, *supra* note 24, at 649-50.

373. *See* Welkowitz, *supra* note 58, at 565-67; Kaplan, *supra* note 315, at 1139-40.

occurs when a federal court enforces a state dilution statute in violation of a defendant's First Amendment rights.³⁷⁴

However, this was not always the case. In the early period of the dilution doctrine some courts erroneously refused to entertain a First Amendment defense in a trademark infringement and dilution case on the grounds that a trademark right was like a real property right.³⁷⁵ Accordingly, the infringer was treated like a trespasser. Under then prevailing Supreme Court precedent, if alternative avenues of expression existed, then the infringer had no First Amendment right. In the trademark area, since a defendant usually could have adopted a different mark than the plaintiff's mark, a court would usually find that no First Amendment right was implicated.³⁷⁶

Then came the "constitutionalization" of state tort law under *New York Times Co. v. Sullivan*³⁷⁷ and its progeny.³⁷⁸ Under this doctrine, a federal court violates a defendant's First Amendment right, in a state libel action, if it finds and enforces a judgment against the defendant without taking certain procedural and substantive steps. These steps ensure that a defendant's First Amendment rights are upheld.³⁷⁹

Recently, there has commenced a similar "constitutionalization" of U.S. trademark law. The analytical work and case law in this area convince this author that the FTDA would probably withstand constitutional muster if certain judicial safeguards are adopted. As a preliminary matter, in order to ensure that noncommercial speech retains its full First Amendment protection, the FTDA was correct in clarifying that neither dilution by blurring nor tarnishment is actionable in cases where the alleged dilution consists of parody, satire, social-political commentary, or other forms of noncommer-

374. See Langvardt, *supra* note 24, at 653-55.

375. See *Dallas Cowboys Cheerleaders*, 604 F.2d at 206.

376. See *id.*

377. 376 U.S. 254 (1964).

378. For a discussion of cases following *New York Times* see Langvardt, *supra* note 24, at 649-57.

379. See *id.*

cial expression.³⁸⁰ Recent case law makes clear that in suits involving the noncommercial use of a plaintiff's mark, whether in the form of parody or social-political commentary, a defendant's First Amendment right takes precedence over the plaintiff's right to protect his mark from diluting or otherwise infringing uses.³⁸¹ By changing the USTA-proposed federal dilution provision to reflect this recent case law, the FTDA's drafters apparently, silenced a large percentage of the earlier proposal's critics, most of whom were media representatives.³⁸²

However, this change, alone, is not sufficient to safeguard a defendant's First Amendment rights, because it is not always easy to distinguish between commercial and noncommercial speech. Moreover, even if the defendant's use is found to constitute commercial speech, its speech is entitled to receive limited First Amendment protection provided it is not deceptive or misleading.

The U.S. Supreme Court's test for identifying commercial speech is whether it essentially exists to propose a commercial transaction.³⁸³ In the trademark area, for a certain set of cases, this is not always an easy test to apply.³⁸⁴ In recent years, it has become apparent that the use of a plaintiff's mark can involve mixed speech, i.e., speech that involves both commercial and noncommercial aspects. These cases usually involve the unauthorized printing of a logo, which is substantially similar to the plaintiff's mark, on a t-shirt, poster or some other item.³⁸⁵ In these cases, a court must determine which type of speech predominates. The mere fact that a defendant is selling an item for profit does not render its use

380. See Pub. L. No. 104-98, § 3(a) (to be codified at 15 U.S.C. § 1125(c)(4)(B) and (C)); see also 141 Cong. Rec. H14317 (December 12, 1995) (statement of Rep. Moorhead).

381. See, e.g., *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 31-33 (1st Cir.), *cert. denied*, 483 U.S. 1013 (1987); *Girl Scouts of U.S.A. v. Bantam Doubleday Dell Publishing Group*, 808 F. Supp 1112, 1118-21 (S.D.N.Y. 1992), *aff'd*, 996 F.2d 1477, 1478 (2d Cir. 1993).

382. See, e.g., 141 Cong. Rec. S19310 (December 29, 1995) (supporting statement of Sen. Hatch); see also H.R. REP. NO. 1028, *supra* note 286, at 5-6.

383. See *Bolger v. Youngs Drug Prods. Corp.*, 463 U.S. 60, 66 (1983).

384. See Langvardt, *supra* note 24, at 638-39.

385. See *id.*

commercial speech.³⁸⁶ Rather, the test is whether the defendant has used the plaintiff's mark to express an idea rather than simply to propose a commercial transaction.³⁸⁷

For example, in *Mutual of Omaha Insurance Co. v. Novak*,³⁸⁸ the plaintiff insurance company brought a federal trademark infringement action to prevent the further distribution of the defendant's t-shirts, mugs and other items that depicted a parody of the plaintiff's famous Indian mark.³⁸⁹ The defendant designed his mark, the "Mutant of Omaha," ostensibly to reflect his anti-nuclear weapon stance.³⁹⁰ The Eighth Circuit rejected the defendant's First Amendment-parody defense on the grounds that, under the totality of circumstances, his speech had become primarily commercial.³⁹¹ He had created a whole line of "Mutant of Omaha" items that he sold in various locations. Accordingly, the court found that the plaintiff's right to be free from infringing uses prevailed over the defendant's First Amendment right.³⁹²

Nevertheless, because commercial speech is still entitled to limited First Amendment protection, additional safeguards in the dilution context are required. Under the current prevailing Supreme Court standard, governmental action that restricts commercial speech *does not* violate a defendant's First Amendment right if the government possesses a substantial underlying interest and the government action directly advances the underlying interest by a narrowly tailored means.³⁹³

Due to a recent U.S. Supreme Court decision, the Supreme Court would likely determine that the FTDA is constitutional under the above-mentioned test. In *San Francisco Arts & Athletics, Inc. v. United States Olympic Committee*,³⁹⁴ the Supreme Court held that

386. *See id.* at 645-46.

387. *See id.* at 644-49.

388. 836 F.2d 397 (8th Cir. 1987), *cert. denied*, 488 U.S. 933 (1988).

389. *Id.* at 398.

390. *Id.* at 400.

391. *Id.* at 401-02.

392. *Id.*

393. *Central Hudson*, 447 U.S. at 566.

394. 483 U.S. 522 (1987).

a federal statute, which granted the defendant the exclusive right to use the word, "Olympic," as a mark for both commercial and non-commercial purposes, was not unconstitutional on either First or Fifth Amendment grounds.³⁹⁵ The defendant was the sponsor of a gay athletic competition that sought to use the words, "Gay Olympic Games," on t-shirts, posters, banners, buttons and other items to promote its event. The plaintiff, which was the official U.S. Olympic sponsoring committee, brought an action for injunctive relief in order to assert its rights under the statute to control exclusively the word, "Olympic."³⁹⁶ The lower court granted the injunctive relief, which was affirmed on appeal.³⁹⁷

When appealing to the Supreme Court, the defendant argued that the statute incorporated only the trademark rights embodied in the Lanham Act. Accordingly, the only protection that the plaintiff possessed was against uses that were likely to confuse. The defendant argued that the First Amendment dictated such a "likelihood of confusion" requirement.³⁹⁸ The Supreme Court rejected this argument, holding that Congress acted reasonably when it determined that "the USOC should not be required to prove that an unauthorized use of the word 'Olympic' is likely to confuse the public."³⁹⁹ First, the Court noted that most of the promotional uses desired by the defendant constituted commercial speech, which received only limited protection.⁴⁰⁰ Second, it found that Congress had several substantial interests that it sought to advance when enacting the Olympic enabling statute. The first interest mentioned by the Court was, "as with other trademarks . . . to ensure that the USOC receives the benefit of its own efforts so that the USOC will have an incentive to continue to produce a 'quality product,' that, in turn, benefits the public."⁴⁰¹

395. *Id.* at 527-28.

396. *Id.* at 527.

397. *International Olympic Comm. v. San Francisco Arts and Athletics, Inc.*, 219 U.S.P.Q. (BNA) 982, 987-88 (N.D. Cal. 1982), *aff'd*, 781 F.2d 733, 737-38 (9th Cir. 1986), *aff'd*, 483 U.S. 522 (1987).

398. *San Francisco Arts and Athletics*, 483 U.S. at 531-32.

399. *Id.* at 535.

400. *Id.*

401. *Id.* at 537.

The Court further held that the speech restrictions embodied in the statute were "not broader than Congress reasonably could have determined to be necessary to further these interests."⁴⁰² According to the Court, Congress could have reasonably determined that unauthorized uses of Olympic words and symbols, "even if not confusing, nevertheless may harm the USOC by lessening the distinctiveness and thus the commercial value of the marks."⁴⁰³ The Court thus concluded that "[e]ven though this protection may exceed the traditional rights of a trademark owner in certain circumstances, the application of the Act to this commercial speech is not broader than necessary to protect the legitimate congressional interest and therefore does not violate the First Amendment."⁴⁰⁴

Under *San Francisco Arts and Athletics, Inc.*, it is therefore likely that the Court would consider a state or federal governmental interest in protecting its citizens' trademarks from dilution to be a substantial governmental interest. Although the above-mentioned case involved a different statute than the Lanham Act,⁴⁰⁵ the Court's citation to *Schechter* and the dilution doctrine, as well as the longstanding importance placed on protection of trademark rights, strongly suggests that the first prong of the commercial speech test would be easily met.

Similarly, the FTDA would also likely succeed under the second prong of the commercial speech test as long as courts adapt certain additional safeguards when interpreting the FTDA. The new federal dilution provision creates a limited federal cause of action for a narrow class of plaintiffs whose interests have long been afforded strong protection under the Lanham Act. It also provides for injunctive relief as the sole remedy in most instances. In order

402. *Id.* at 539.

403. *Id.* (quoting *Schechter*, *supra* note 26, at 825, for the proposition that "one injury to a trademark owner may be '[the] gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name' by nonconfusing uses").

404. *San Francisco Arts and Athletics*, 483 U.S. at 540.

405. It instead required the Supreme Court to construe the Amateur Sports Act, 36 U.S.C. § 380, which granted the USOC the right to prohibit certain commercial uses of the term "Olympic" and various Olympic symbols. *San Francisco Arts and Athletics*, 483 U.S. at 526.

to ensure that the provision fully comports with First Amendment requirements, a court should adhere to the following guidelines when deciding a case under § 43(c).

First, although the FTDA precludes a dilution action against non-commercial use of a trademark or against fair use of a mark "in comparative commercial advertising or promotion to identify the registrant's competing goods or services,"⁴⁰⁶ it does not go far enough to protect an alleged diluter's First Amendment rights. A recent line of cases has recognized that, even in the commercial speech area, First Amendment concerns require that a trademark defendant be able to assert a parody defense.⁴⁰⁷ As the Seventh Circuit has recently explained:

Manufacturers and merchants invest a great deal in trademarks for the good will of their businesses. Obviously they hope the public at large identifies their trademarks. When businesses seek the national spotlight, part of the territory includes accepting a certain amount of ridicule. The First Amendment, which protects individuals from laws infringing free expression, allows such ridicule in the form

406. Pub. L. No. 104-98, § 3(a) (to be codified at 15 U.S.C. § 1125(c)(4)).

407. See, e.g., *Nike, Inc. v. "Just Did It" Enters.*, 6 F.3d 1225, 1227-28, 1231-32 (7th Cir. 1993) (in footwear manufacturer's trademark infringement suit against local artist who sold t-shirts with the name "Mike" over a "swoosh" design similar to plaintiff's mark, a genuine issue of material fact existed as to whether defendant's intent was to parody, and therefore amuse, rather than confuse); *Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1489-91 (10th Cir. 1987) (owner of "Jordache" trademark failed to prove either likelihood of confusion or dilution against a manufacturer of blue jeans for larger women, which utilized the mark "Lardashe" and a smiling pig, because, due to "the parody aspect of 'Lardashe,' it is not likely that public identification of 'Jordache' with the plaintiff will be eroded"); *The Black Dog Tavern Co., Inc. v. Hall*, 823 F. Supp. 48, 57-58 (D. Mass. 1993) (restaurant owner, who sold t-shirts with name of restaurant "The Black Dog" printed on them, failed to prove either trademark infringement or dilution against seller of t-shirts bearing the words "The Dead Dog" or "The Black Hog," because of defendant's parody intent); *Eveready Battery Co. v. Adolph Coors Co.*, 765 F. Supp. 440, 450-52 (N.D. Ill. 1991) (battery manufacturer failed to prove either infringement or dilution of its "Energizer Bunny" mark by beer manufacturer's use of actor dressed in bunny costume in beer commercial due to parody aspect of advertisement); cf. *Cardtoons v. Major League Baseball Players Assoc.*, 868 F. Supp. 1266, 1271-76 (N.D. Okla. 1994) (recognizing parody defense in "mixed" commercial use case arising under Oklahoma's "right of publicity" statute).

of parody.⁴⁰⁸

Rep. Moorhead's addition of a "fair use for comparative advertising" exception is therefore not sufficient to safeguard this parody right because, like the Second Circuit in *Deere*, a court may well conclude that the humorous alteration of a well-known mark in a commercial advertisement does more than indicate the identity of the market leader; it threatens to dilute the potency of the mark as well.⁴⁰⁹ However, when so concluding in *Deere*, the Second Circuit overlooked the fact that a use can be "mixed," i.e. undertaken for both commercial profit and for creative, entertainment purposes. This latter, "parody" function of a mark's use must be taken into account in both trademark infringement and dilution actions because the public's recognition of a mark's use as merely humorous will tend to negate its propensity to either confuse or dilute.⁴¹⁰ In fact, as the Tenth Circuit has noted, such a "parody" use could well act as a free form of advertising for the market leader, thereby increasing the potency of its mark in the public's mind.⁴¹¹

Accordingly, in order to safeguard a defendant's First Amendment commercial speech right, a court should interpret the Lanham Act's new fair use provision to provide for a parody defense in a dilution action.⁴¹² However, this would not be an absolute defense. The defendant's use of the mark as a parody should be one of the factors a court weighs in determining whether or not the defendant's use was likely to dilute the plaintiff's mark.⁴¹³ By effecting this change, a First Amendment safeguard would be built right into the Act in much the same way that First Amendment concerns are subsumed under the fair use provision of the federal copyright statute.⁴¹⁴

A plaintiff's rights would be protected under this scheme since

408. *Nike*, 6 F.3d at 1227.

409. See *Deere & Co.*, 41 F.3d at 44-45.

410. See *Jordache*, 828 F.2d at 1485, 1489-90.

411. See *id.* at 1490-91.

412. A court should also allow a parody defense in a traditional trademark infringement action. See, e.g., *Eveready Battery Co.*, 765 F. Supp. at 450-452.

413. See, e.g., *Black Dog Tavern*, 823 F. Supp. at 57; *Jordache*, 828 F.2d at 1484-85; *Nike*, 6 F.3d at 1228.

414. See 17 U.S.C. § 107 (1994); cf. *Cardtoons*, 868 F. Supp. at 1270.

there are a number of legal principles serving to restrict a defendant's First Amendment right. First, a court could properly give greater First Amendment protection to a parody, which is being sold for its own sake, than to one which is being used as a tool to sell a distinct product.⁴¹⁵ Second, whether commercial or noncommercial, there is no First Amendment protection for a use containing obscenity or "fighting words," i.e., words that go beyond the pale of humor, satire or parody and constitute nothing but a bare insult to the plaintiff.⁴¹⁶ One commentator has argued that, under these traditional First Amendment principles, the *Dallas Cowboys Cheerleaders* case and the *Coca-Cola* poster case were thus probably correctly decided.⁴¹⁷ Although the former involved a movie, which is arguably a form of noncommercial speech, it was a pornographic movie devoid of any social message.⁴¹⁸ Similarly, although one could characterize the Coca-Cola poster as a parody, it certainly was not a noncommercial parody since it conveyed no social message. While the defendant could have argued that it was a commercial parody, which should have been accorded some First Amendment protection, the plaintiff could have countered with the argument that it was not a parody for two reasons. First, the poster crossed the bounds of parody and entered the domain of "fighting words." The poster acted as a direct insult to the integrity of the plaintiff's product and its business.⁴¹⁹ Second, it copied too much of the plaintiff's mark to constitute a protective parody. Recent case law reveals that courts will only consider a junior use a legally protected parody if it copies just enough of the plaintiff's mark to amuse and to make its point of comparison with the plaintiff.⁴²⁰

415. See *Cardtoons*, 868 F. Supp. at 1273.

416. See Robert C. Denicola, *Trademarks As Speech: Constitutional Implications of the Emerging Rationales For the Protection of Trade Symbols*, 1982 WIS. L. REV. 158, 202-06 (1982).

417. See *id.*

418. Denicola had some reservations about the Court's cavalier dismissal of the First Amendment defense in *Dallas Cowboys Cheerleaders*, but noted the lack of social message or expression of ideas in the pornographic movie. See *id.* at 205-06.

419. See *id.* at 204-05.

420. See *Eveready Battery Co.* 765 F. Supp. at 451-52; *Black Dog Tavern*, 823 F. Supp. at 57.

If a defendant copies too much of a plaintiff's mark, it is either bordering on being a confusing use or a grossly insulting one.⁴²¹ In either case, the plaintiff's right to protect its mark against infringing or diluting uses could well prevail over the defendant's minimal First Amendment right.

E. *Monopolization of Language Concerns*

To a large extent, the same principles serving to safeguard a defendant's First Amendment right in a dilution cause of action would also act to prevent unnecessary monopolization of language from occurring.⁴²² Yet there remains one more "monopolization of language" concern that needs to be addressed. At least one court has suggested that the dilution doctrine is applicable to prevent the use of a mark on promotional or collateral goods when the mark is being used primarily for a functional, utilitarian purpose and not as a source signifier.⁴²³ Callman actually approves of this extension of the dilution doctrine. He therefore writes that "at least where verbal and pictorial marks are concerned, dilution protection should not be denied on the ground that such a mark is functional."⁴²⁴

Callman's reasoning is, however, flawed. If a mark is not being used as a mark, then it should not receive protection under either an infringement or a dilution rationale. It is beyond the scope of this paper to assess whether the promotional goods decisions that have allowed a plaintiff to prevail on a traditional trademark infringement ground, without actually proving a likelihood of confusion, were correct.⁴²⁵ Suffice it to say that it would be wholly improper to extend the dilution doctrine to the promotional goods area.

421. See Denicola, *supra* note 416, at 357.

422. Furthermore, the FTDA's drafters could have provided an additional buffer against undesirable monopolization of language had they restricted a federal dilution cause of action to suits between competitors.

423. See *Plasticolor Molded Prods. v. Ford Motor Co.*, 713 F. Supp. 1329, 1343 (C.D. Cal. 1989), *vacated*, 767 F. Supp. 1036 (C.D. Cal. 1991).

424. See CALLMAN, *supra* note 54, § 21.11, at 70.

425. See, e.g., *Boston Professional Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg.*, 510 F.2d 1004, 1010-12 (5th Cir.), *cert. denied*, 423 U.S. 868, *reh'g denied*, 423 U.S. 991 (1975); *Boston Athletic Assoc. v. Sullivan*, 867 F.2d 22, 32-35 (1st Cir. 1989).

*Bi-Rite Enterprises v. Button Master*⁴²⁶ illustrates this point. In *Bi-Rite*, a number of musical groups and a distributor of buttons bearing the likenesses and logos of these groups brought a trademark infringement and dilution cause of action against a number of companies that manufactured or sold "bootleg" buttons.⁴²⁷ The plaintiff distributor claimed to possess the exclusive licensing rights to reproduce and sell several of the musicians' marks at issue.⁴²⁸ The court denied the plaintiffs' dilution claim because they had failed to prove that the defendants' use had actually harmed the plaintiffs' marks in any way. According to the court, a contrary result was likely since the "defendants provide fans of the various [p]erformers an opportunity to announce their allegiance to the groups, thereby publicizing the popularity of the groups."⁴²⁹

The *Bi-Rite* court's reasoning is correct. The dilution doctrine simply does not fit the promotional goods area. While a plaintiff may be able to prevail on a right of publicity theory, as it did in *Bi-Rite*,⁴³⁰ or on a traditional trademark infringement action upon proof of likelihood of confusion, it would pervert the dilution doctrine's purpose to extend it to this area. Consequently, refusing to extend the scope of the dilution doctrine in this manner guards against unnecessary monopolization effects.

CONCLUSION

The dilution doctrine has manifested many changes since Schechter first proposed it some 68 years ago. Although the doctrine poses some First Amendment and "monopolization of language" concerns, they are not insurmountable. The FTDA would likely pass constitutional muster as long as courts adopt additional First Amendment safeguards when interpreting it. Hopefully, its enactment will encourage greater uniformity in the dilution case law. More importantly, the new federal dilution provision should

426. 555 F. Supp. 1188 (S.D.N.Y. 1983).

427. *Id.* at 1191-92.

428. *Id.* at 1191.

429. *Id.* at 1196.

430. *See id.* at 1198-1200.

impose desirable limits on the dilution doctrine by creating a limited, federal cause of action for a narrow class of plaintiffs. Its adoption could well motivate states to reform their own laws to conform to the federal standard, thereby checking the doctrine's current expansion. For all of these reasons, Congress was wise to have passed a limited federal dilution provision.⁴³¹

431. At least one critic suggested that the states nullify their dilution statutes either by legislative repeal or judicial fiat. *See* Welkowitz, *supra* note 58, at 586-87. Given the seriousness with which courts have treated the dilution doctrine, and the clout of INTA's lobbying, this outcome was bound to be unrealistic. Adoption of a limited federal dilution provision was a far better alternative.